Moody's



Investor Presentation

1Q 2015

MAY 7, 2015

Disclaimer

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 2015 and other forward-looking statements in this release are made as of May 4, 2015, 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 level of merger and acquisition activity in the U.S. and abroad; the uncertain effectiveness and possible collateral consequences of U.S. and foreign government initiatives to respond to the current world-wide credit market disruptions and economic slowdown; concerns in the marketplace affecting Moody's credibility or otherwise affecting market perceptions of the integrity or utility of independent credit agency ratings; the introduction of competing products or technologies by other companies; pricing pressure from competitors and/or customers; the level of success of new product development and global expansion; the impact of regulation as an NRSRO, the potential for new U.S., state and local legislation and regulations, including provisions in the Financial Reform Act and regulations resulting from that Act; the potential for increased competition and regulation in the EU and other foreign jurisdictions; exposure to litigation related to Moody's rating opinions, as well as any other litigation, government and regulatory proceedings, investigations and inquiries to which the Company may be subject from time to time; provisions in the Financial Reform Act legislation modifying the pleading standards, and EU regulations modifying the liability standards, applicable to credit rating agencies in a manner adverse to credit 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 Moody's 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; exposure to potential criminal sanctions or civil remedies if the Company fails to comply with foreign and US laws and regulations that are applicable in the jurisdictions in which the Company operates, including sanctions laws, anti-corruption laws and local laws prohibiting corrupt payments to government officials; the impact of mergers, acquisitions or other business combinations and the ability of the Company to successfully integrate acquired businesses; currency and foreign exchange volatility; the level of future cash flows; the levels of capital investments; and 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, 2014 and in other filings made by the Company from time to time with the Securities and Exchange Commission.

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Overview of Moody's Corporation

- Leading global provider of credit rating opinions, insight and tools for financial risk measurement and management
- TTM 1Q15 revenue of $3.4 billion

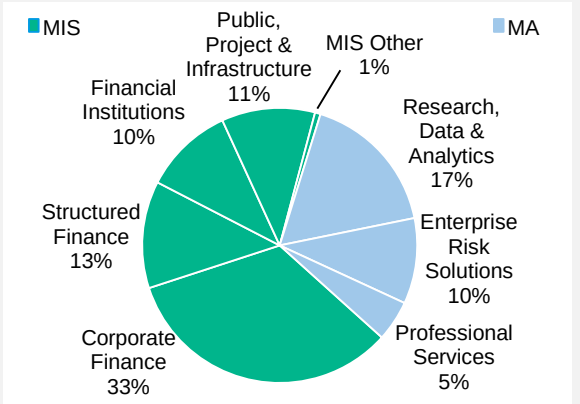
Moody's Investors Service

- Independent provider of credit rating opinions and related information for over 100 years
- TTM 1Q15 revenue of $2.3 billion; 68% of total MCO
- TTM 1Q15 operating income of $1.3 billion; 85% of total MCO

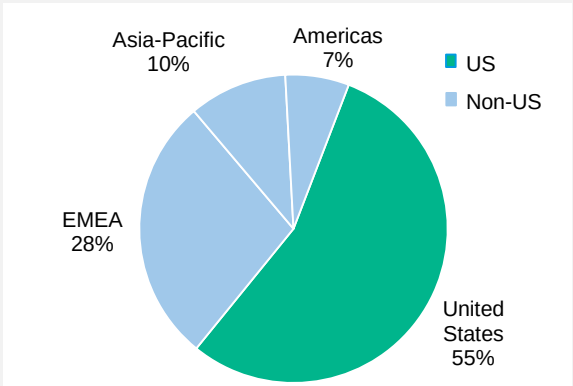
Moody's Analytics

- Research, data and software for financial risk analysis and related professional services
- TTM 1Q15 revenue of $1.1 billion; 32% of total MCO
- TTM 1Q15 operating income of $0.2 billion; 15% of total MCO

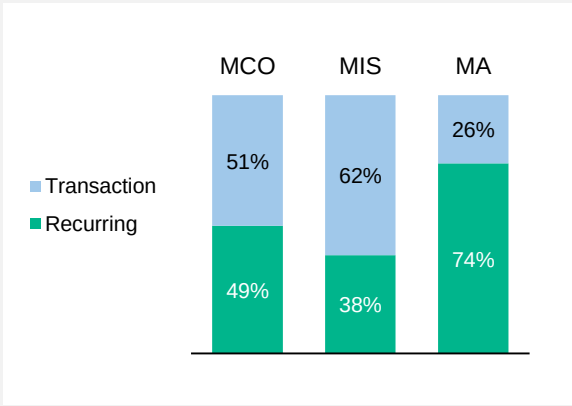
TTM 1Q15 Revenue by Business



TTM 1Q15 Revenue by Geography



TTM 1Q15 Revenue by Type



1

Financial Overview

Secular Trends Continue to Provide Long-Term Growth Opportunities

Debt market issuance driven by **global GDP growth**	**Disintermediation** of credit markets in both developed and emerging economies driving both issuance and demand for new products and services	**Growth in Moody's Analytics** driven by further penetration of MA's client base and expansion of bank and insurance risk regulatory requirements	MA and MIS **pricing initiatives** aligned with value; affected by business volumes and mix
~2-4%	**~2-3%**	**~2-3%**	**~4%**

Long-Term Revenue Growth Opportunity: Low Double-Digit % (on average)

+

Potential Operating Income Margin Expansion

+

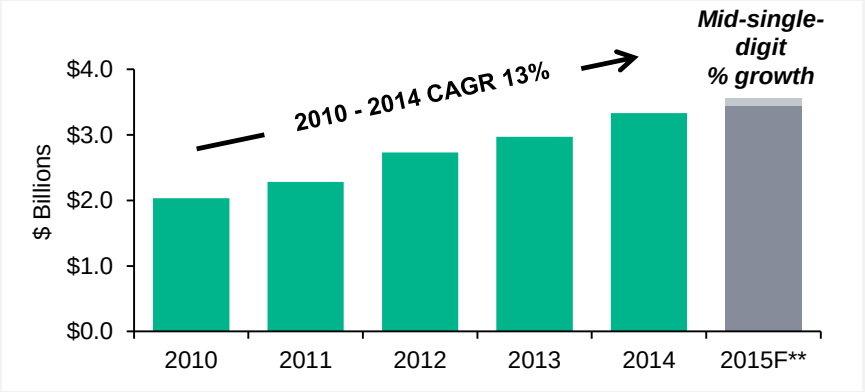
Ongoing Share Repurchases*

Long-Term EPS Growth Opportunity: Mid-Teens % (on average)**

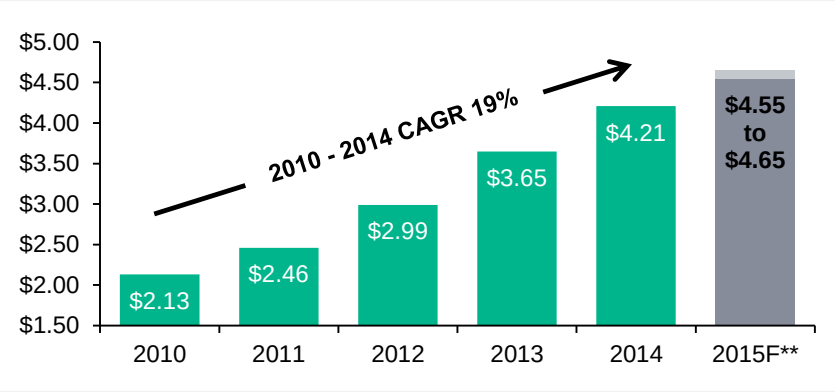
*Subject to market conditions and other ongoing capital allocation decisions.
**Assumes no material change in effective tax rate, leverage profile and/or capital allocation policy.

Moody's Has Consistently Delivered Strong Performance

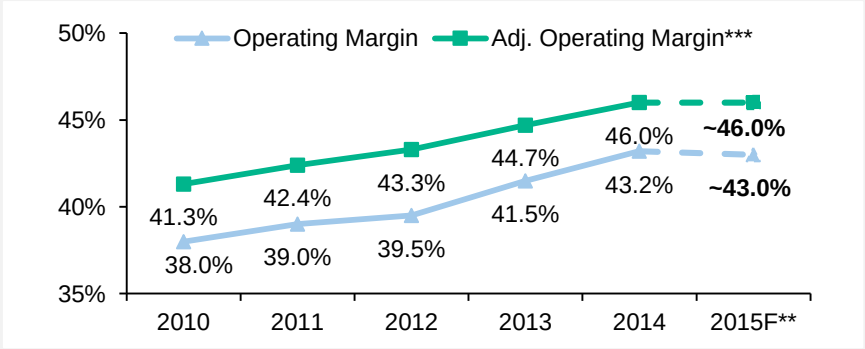
Revenue



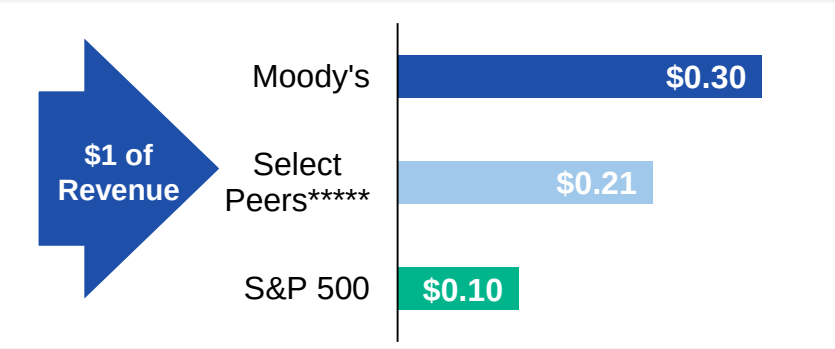
EPS*



Operating Margin Performance



5-year Average Free Cash Flow Conversion****



*2010-2014 represents non-GAAP EPS. See appendix for reconciliation of non-GAAP EPS to GAAP EPS.
**Guidance as of May 4, 2015. For EPS, 2015F represents 2015 forecasted GAAP EPS guidance
***Adjusted Operating Margin is a non-GAAP measure. See appendix for reconciliation from non-GAAP to GAAP.
****As of December 2014, over last five available fiscal years. Source: FactSet.
*****Includes CLGX, DNB, EXPN, FDS, IHS, MHFI, MORN, MSCI, TRI, VRSK. Source: FactSet.

Moody's has a Disciplined Approach to Capital Allocation and Continues to Return Capital to Shareholders

Investing in Growth Opportunities

Reinvestment

» In existing businesses to support organic growth

Acquisitions

» Aligned with strategy

» Opportunistic; ideally using offshore cash

Return of Capital

Dividends

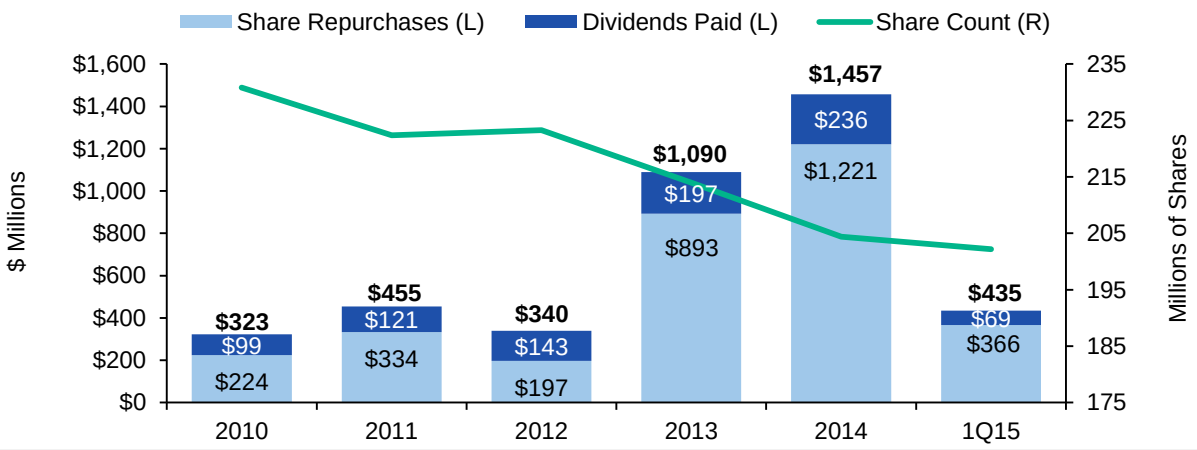
» Yield potential is 1.4% - 1.8%

» Payout ratio potential is 25% - 30% of net income

Share Repurchases

» Average annual potential is $750 million to $1.25 billion

Share Repurchases and Dividends Paid



» Share count declined 12% from 2010 to 1Q15

» Moody's expects 2015 share repurchases to be approximately $1 billion*

» Current annualized dividend rate of $1.36 per share (1Q15 payout of 30% of net income)

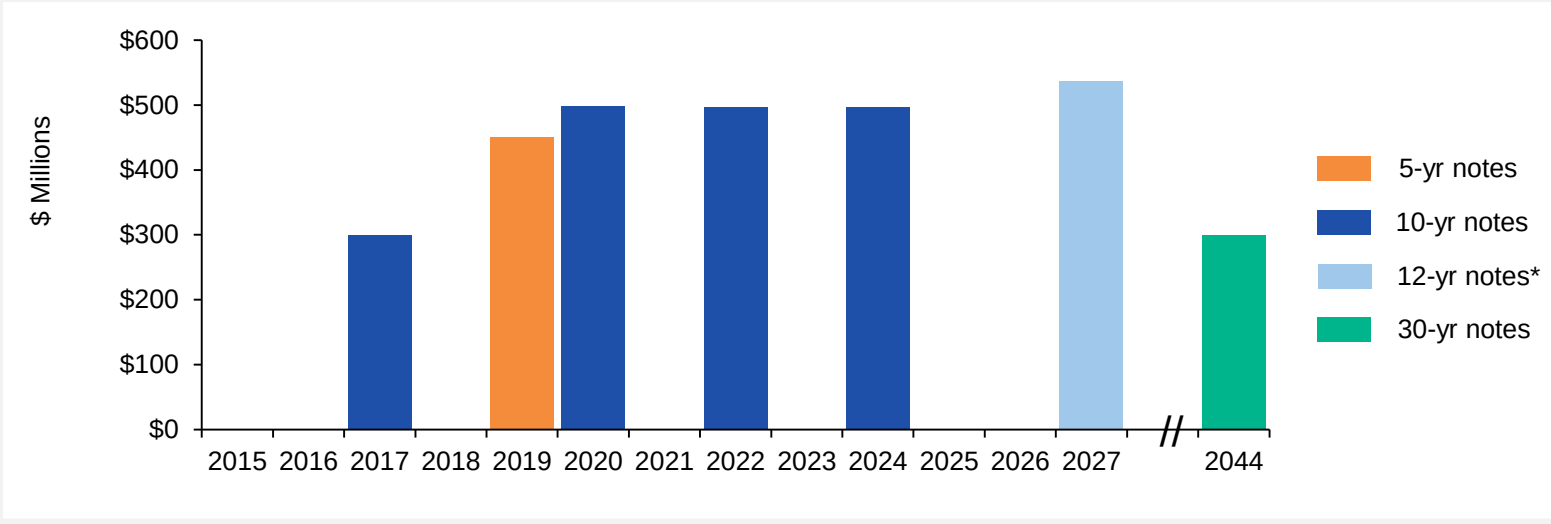
» Current dividend yield of 1.3%**

*Guidance as of May 4, 2015. Subject to market conditions and other ongoing capital allocation decisions.
**Reflects MCO closing price of $108.24 on May 5, 2015.

Well-Spaced Maturity Profile Reduces Refinancing Risk

- Moody's current credit rating from S&P is BBB+
  - Moody's leverage metrics remain within S&P's stated criteria for the current rating
- On March 9, 2015, Moody's closed a €500 million debt offering of 12-year notes at 1.75%, maturing on March 9, 2027
  - The net proceeds from this offering will be used for general corporate purposes
- $1 billion undrawn credit facility

Debt Maturities



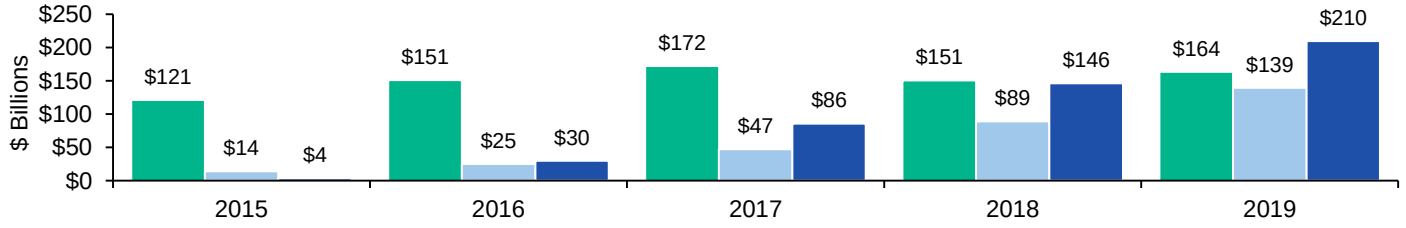
*2015 12-yr notes, maturing in 2027, have been converted to USD using the March 31, 2015 spot rate of $1.076 to €1.

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Moody's Market Overview

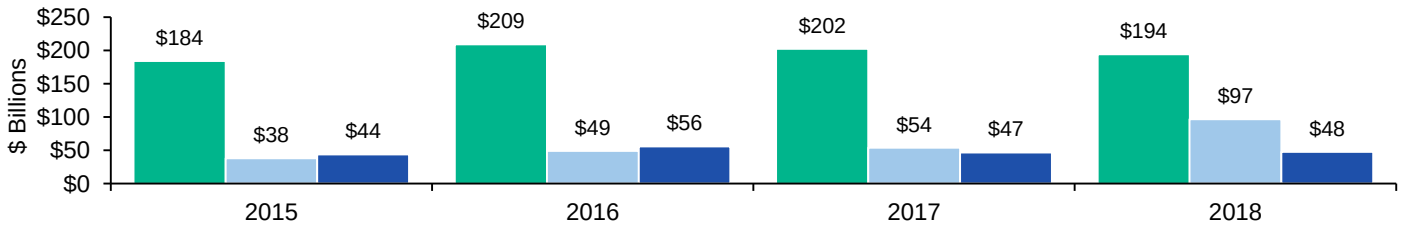
Non-Financial Corporates Have Refunding Needs of Nearly $3.2 Trillion*

Debt Maturities: US Moody's-Rated Corporate Bonds and Loans



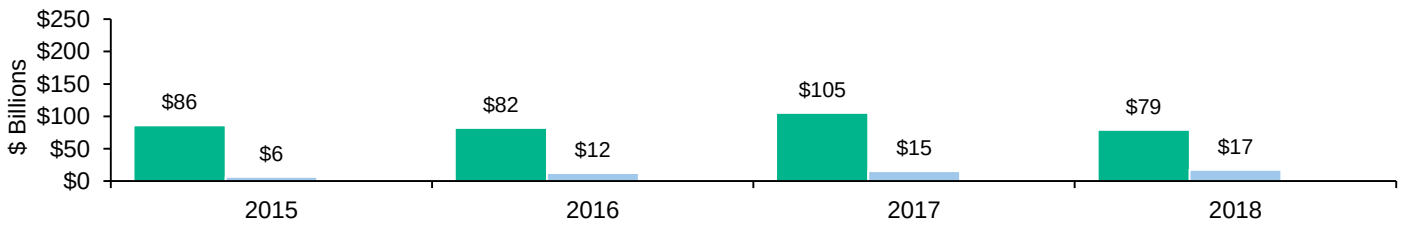
Source: Moody's Investors Service, February 2015.

Debt Maturities: EMEA Moody's-Rated Corporate Bonds and Loans



Source: Moody's Investors Service, July 2014.

Debt Maturities: Asia Pacific Moody's-Rated Corporate Bonds



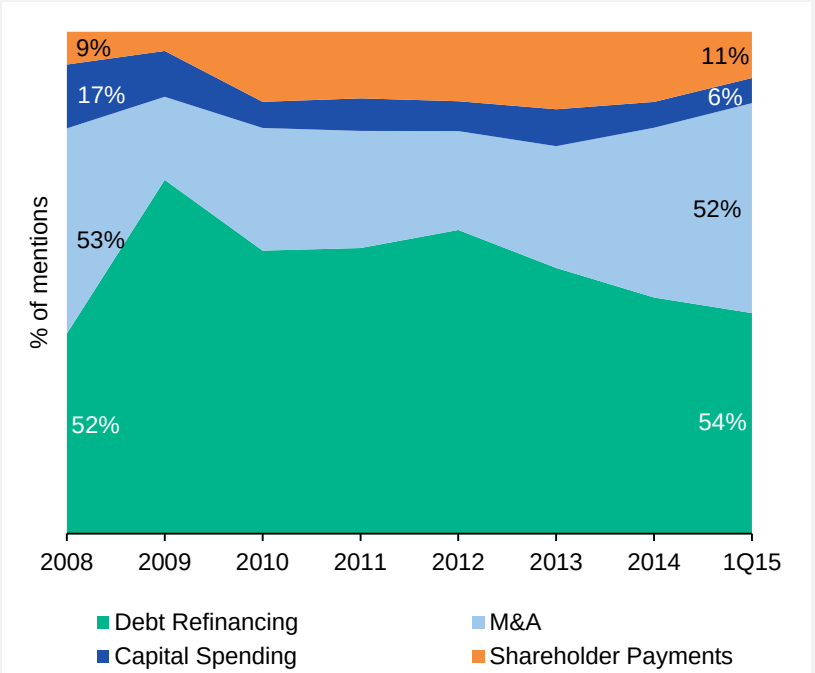
Sources: Moody's Investors Service and Bloomberg, December 2014. Note: Data represents rated and unrated bonds of rated corporate entities in Asia ex-Japan, Australia and New Zealand. Data does not include loans.

Investment Grade Bonds Speculative Grade Bonds Speculative Grade Bank Loans

*Amount reflects total maturities identified in the above charts.

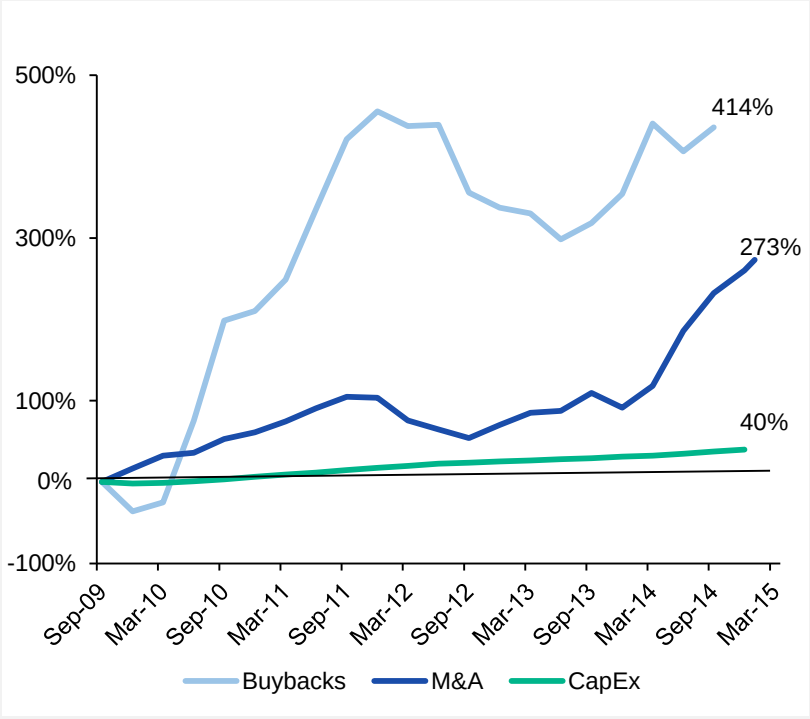
Bond Issuance Has Primarily Been Used for Refinancing; Recently, M&A Activity Has Increased

Uses of Funds from USD High Yield Bonds and Bank Loans*



Growth in Buyback, M&A and Capex Activity: US Non-Financial Corporates

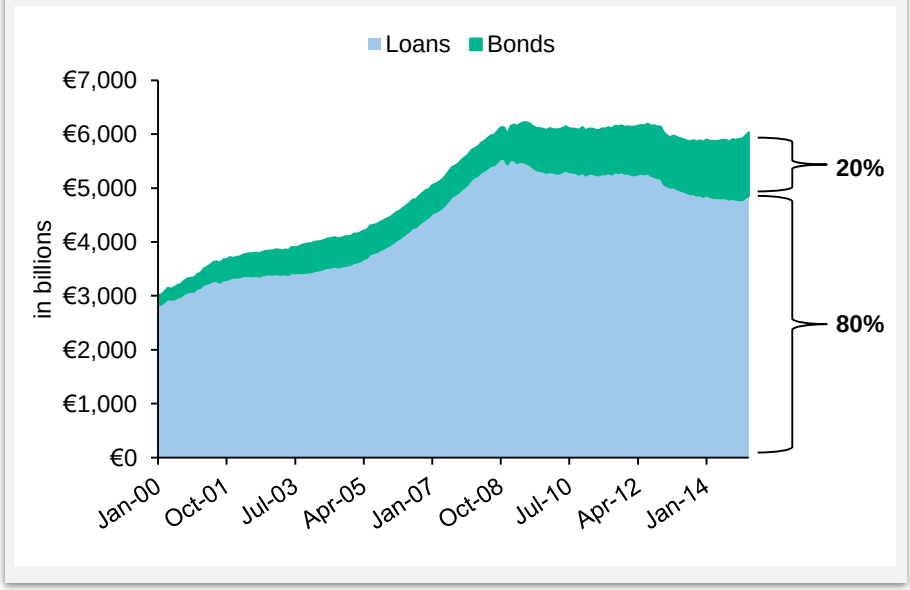
(Growth as a % of base period, TTM volume)



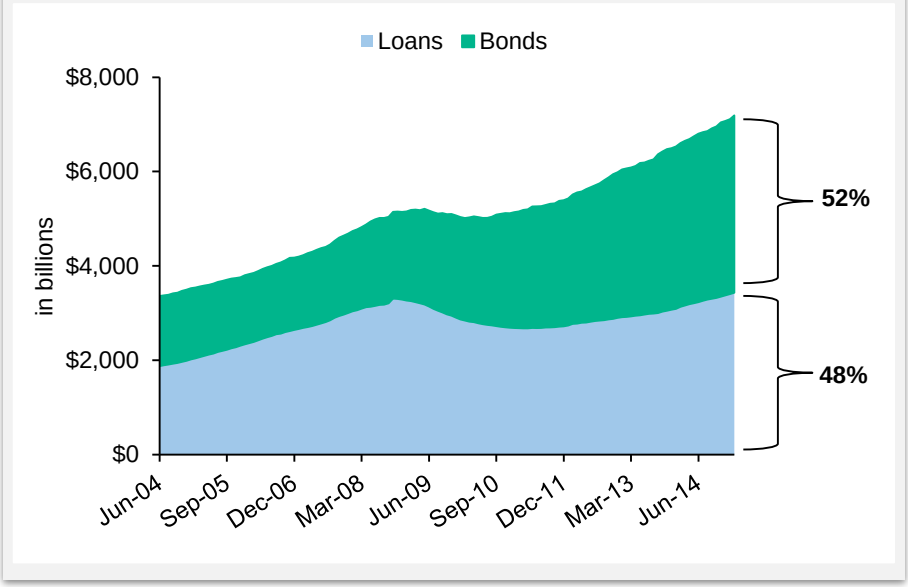
Source: Moody's Capital Markets Research Group (CMRG).
*% of mentions for each respective period in bond issue or bank loan program tranche documents. Excludes Investment Grade issuance, issues of less than $25 million and general corporate purposes. An issue can have multiple purposes and, as a result, %'s do not sum to 100%.

Disintermediation of Capital Markets: Europe and U.S.

European Non-Financial Corporate Bonds vs. Bank Loans Outstanding



U.S. Non-Financial Corporate Bonds vs. Bank Loans Outstanding

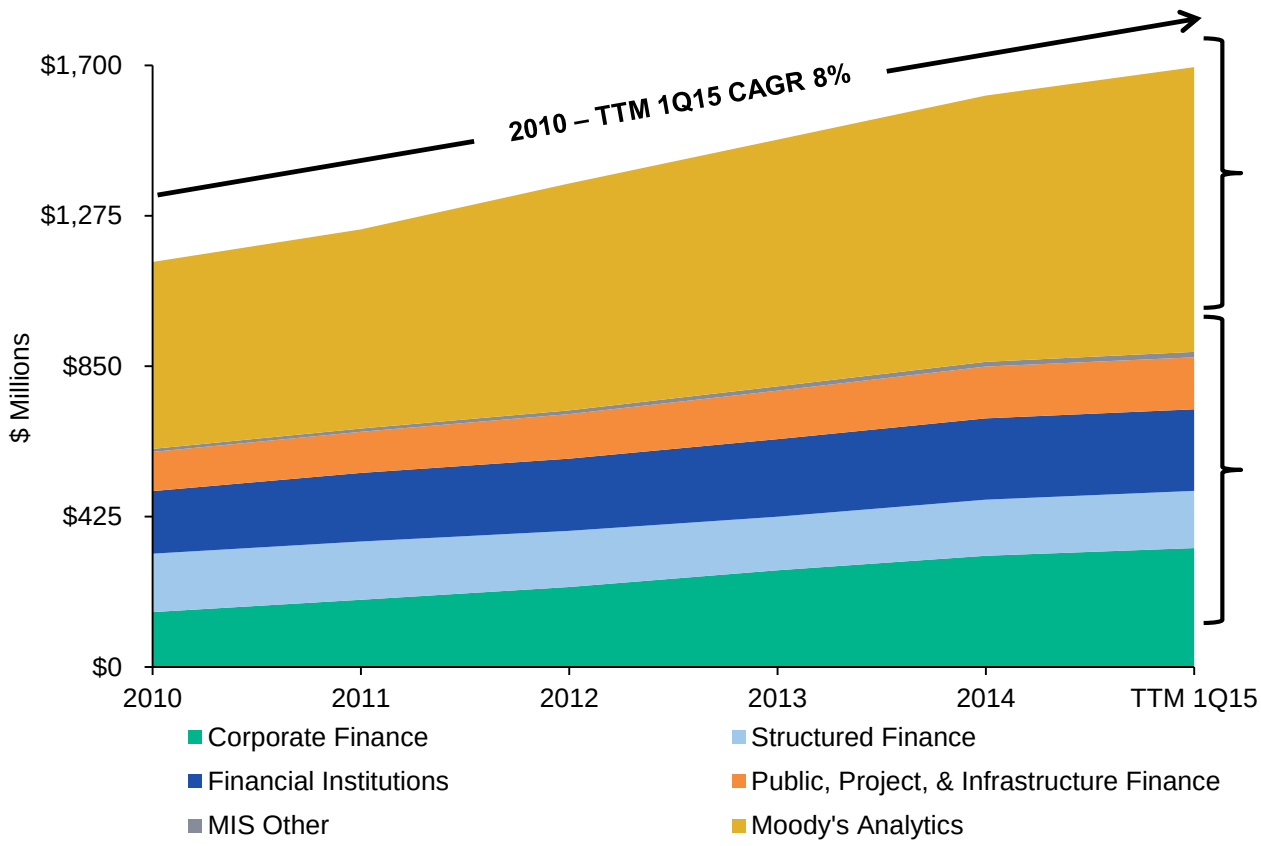


- European companies have historically relied more on banks than their American counterparts, but are increasingly turning to the bond market
- First quarter 2015 European Moody's rated high yield bond and bank loan issuance was split 60% / 40%, respectively.

Sources: ECB, Federal Reserve, BarCap Indices. Europe bank loan data includes Eurozone and UK bank loans. Europe bond data includes euro and sterling denominated bonds. Both charts are through February 2015.

Moody's Recurring Revenue Base Provides Stability

Recurring Revenue*



MA Drivers

- Growth in RD&A
- Growth in ERS maintenance and subscription revenue
- Select elements of pricing

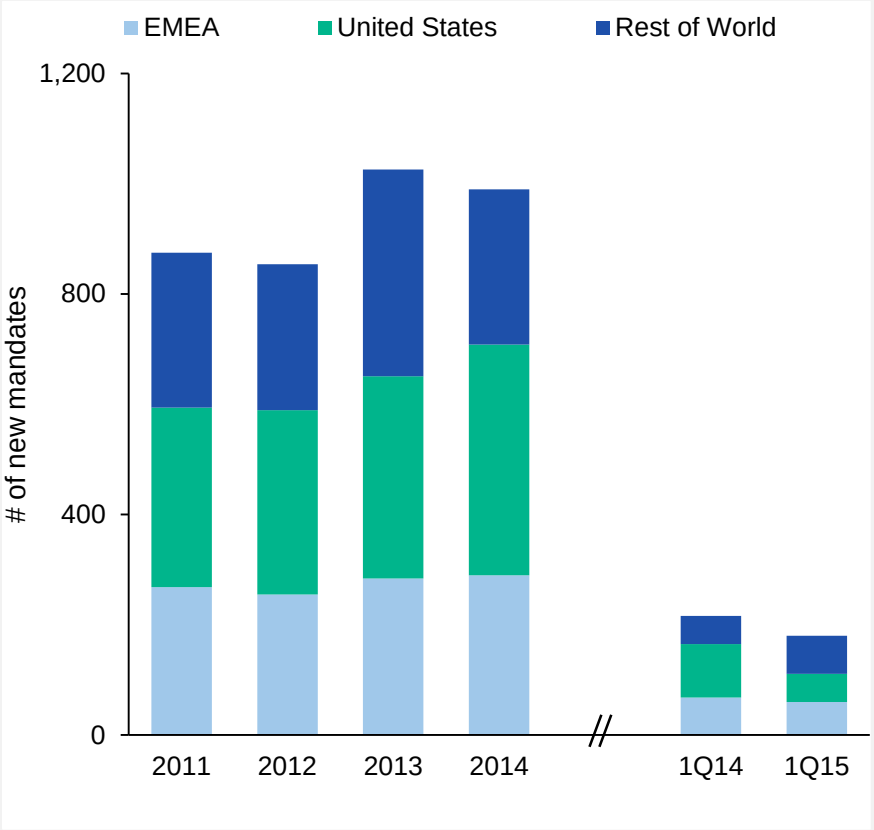
MIS Drivers

- Growth in monitoring fees
- Select elements of pricing

*MIS recurring revenue is typically billed annually and recognized ratably over 12 months. Recurring revenue can also be billed upfront and recognized over the life of the security. MA recurring revenue is recognized over the contract period.

Moody's New Rating Mandates

Global New Rating Mandates*

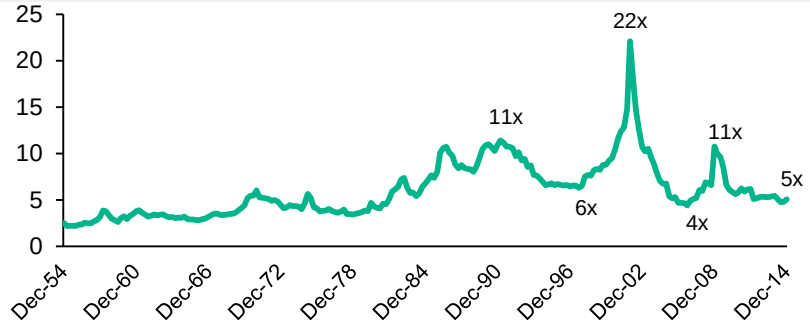


Source: Moody's Investors Service.
*Rated by Moody's Investors Service. Moody's presentation of Global New Rating Mandates now includes CFG, FIG and PPIF new mandates and more closely aligns with the tracking of new mandates by MIS's commercial organization.

- Historically, the first quarter is seasonally slow for new mandates
- **1Q15 regional highlights:**
  - **EMEA:** QE in Europe is mainly helping established issuers tap the market, crowding out new issuers
  - **United States:** There has been a decline in leveraged loans, which previously accounted for a significant percentage of new mandates
  - **Rest of World:** An increased number of China new mandates has been offset by fewer Latin America new mandates

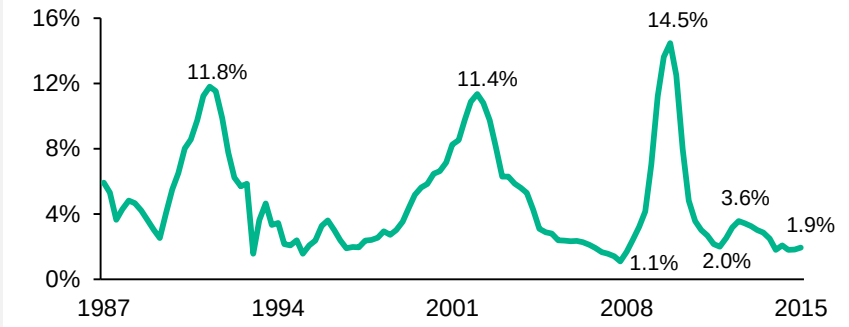
Macro Environment is Characterized by Historically Low Leverage Ratios, Default Rates, and Interest Rates

Ratio of Debt to Pre-Tax Profits



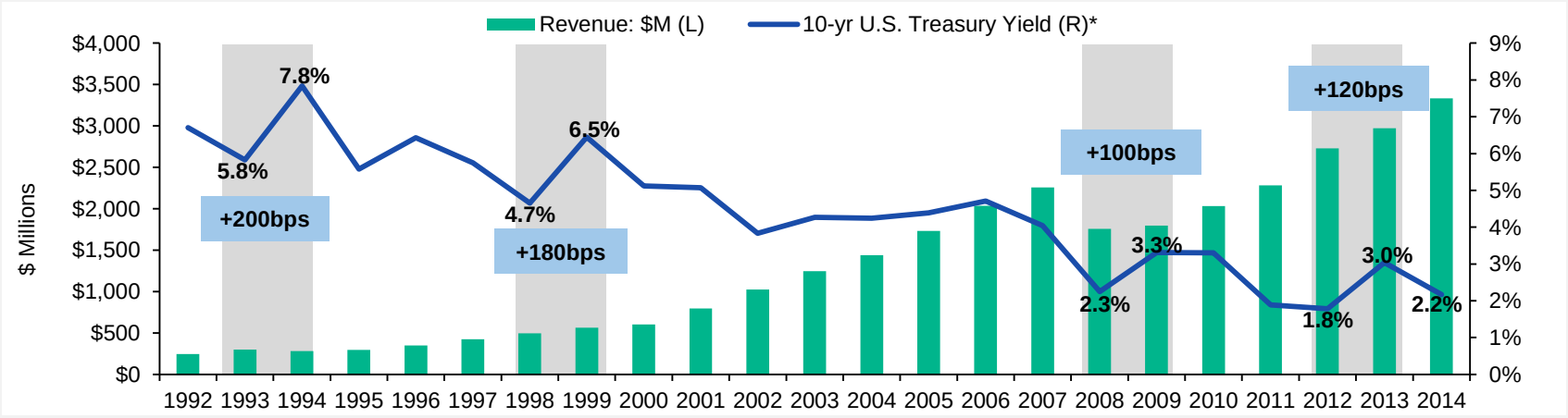
Source: Federal Reserve. US Nonfinancial corporate debt outstanding / pretax profits.

High Yield Default Rate



Source: Moody's Investors Service

MCO Revenue and Interest Rates

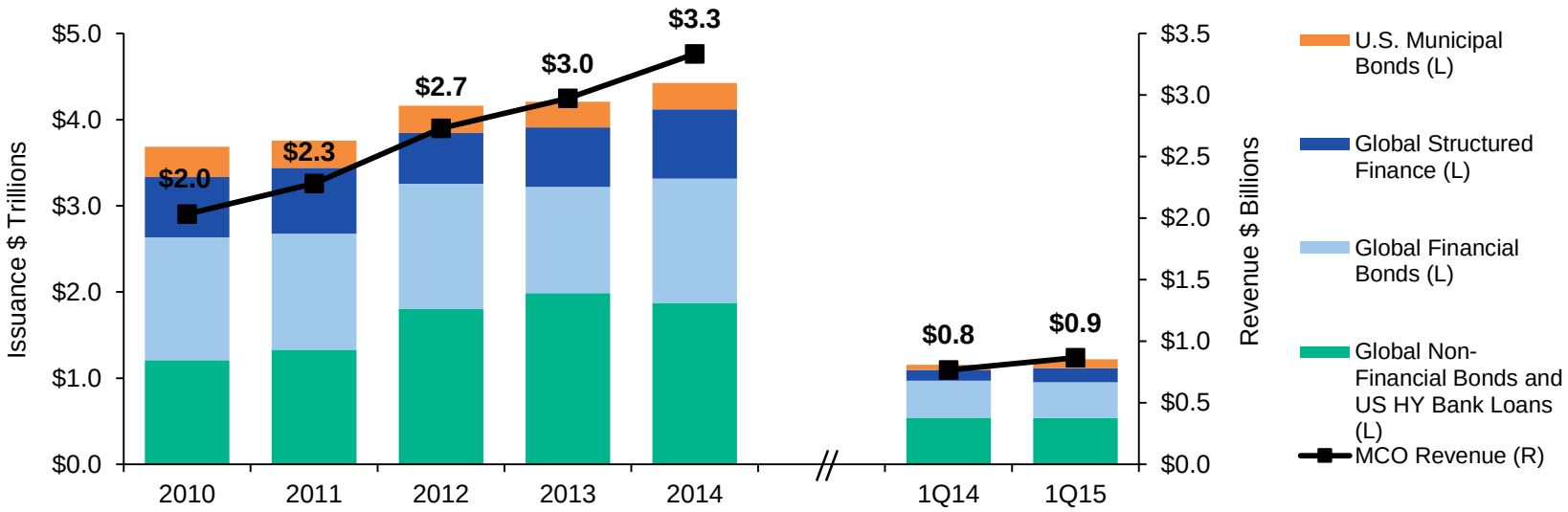


*10-yr Treasury Yields are represented by the rate at the end-of-period. Source: www.treasury.gov

Moody's Revenue Does Not Directly Tie to Issuance

MCO Revenue vs. Rated Issuance*

YOY % Change	2010	2011	2012	2013	2014	2010 - 2014 CAGR	1Q 2015
Issuance	-16%	2%	11%	1%	5%	5%	6%
Revenue	13%	12%	20%	9%	12%	13%	13%

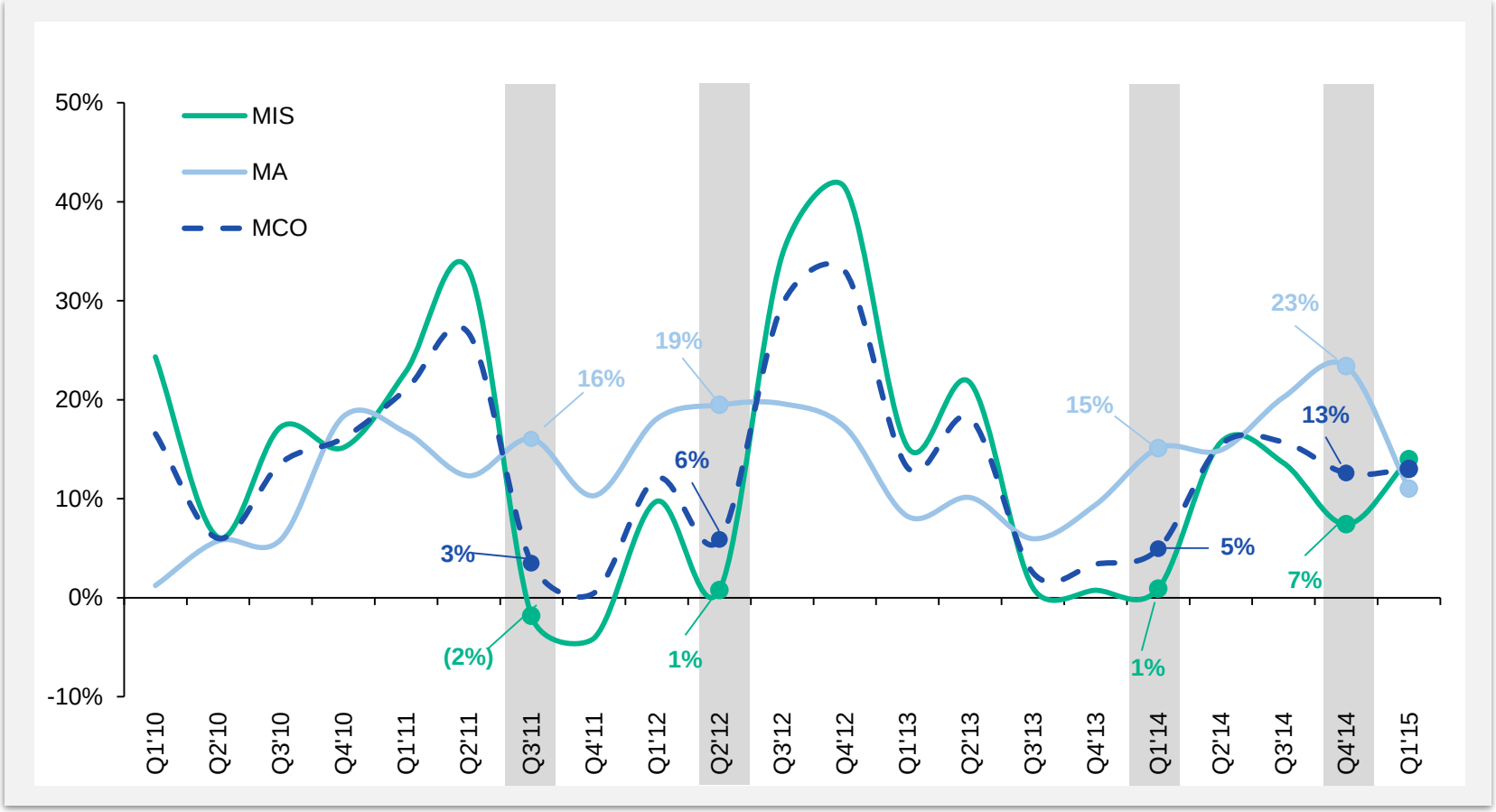


» In addition to issuance activity levels, Moody's revenue is impacted by the mix of issuance activity, sales of non-issuance related products (including by Moody's Analytics), pricing and growth in monitored credits

*Rated global investment grade bonds, global high yield bonds, US high yield bank loans, global structured finance, and US municipal issuance.
Source: Moody's Capital Markets Research Group, Dealogic, AB Alert, CM Alert, Thomson SDC. US High Yield Bank Loans represent Moody's rated new US bank loan programs.

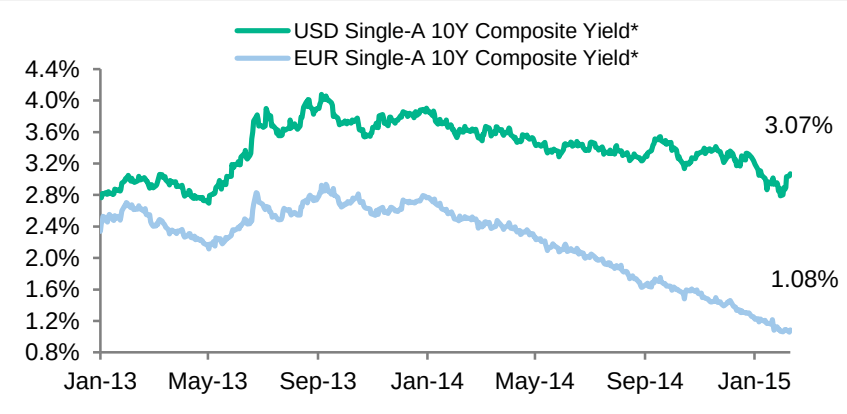
Steady Moody's Analytics Revenue Growth Complements Variability of Moody's Ratings Revenue

Revenue by Quarter – YoY % Change



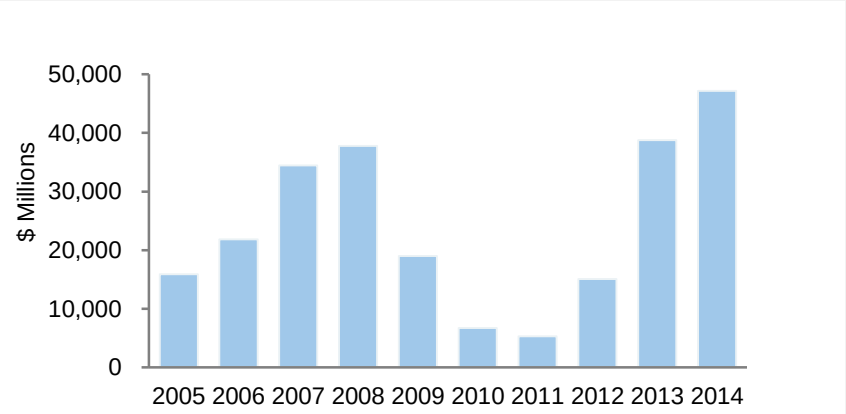
Euro Debt Issuance by US Companies ("Reverse Yankee Issuance") has Increased

EUR yields continue to outperform USD yields



Source: Bloomberg

Reverse Yankee issuance has increased sharply



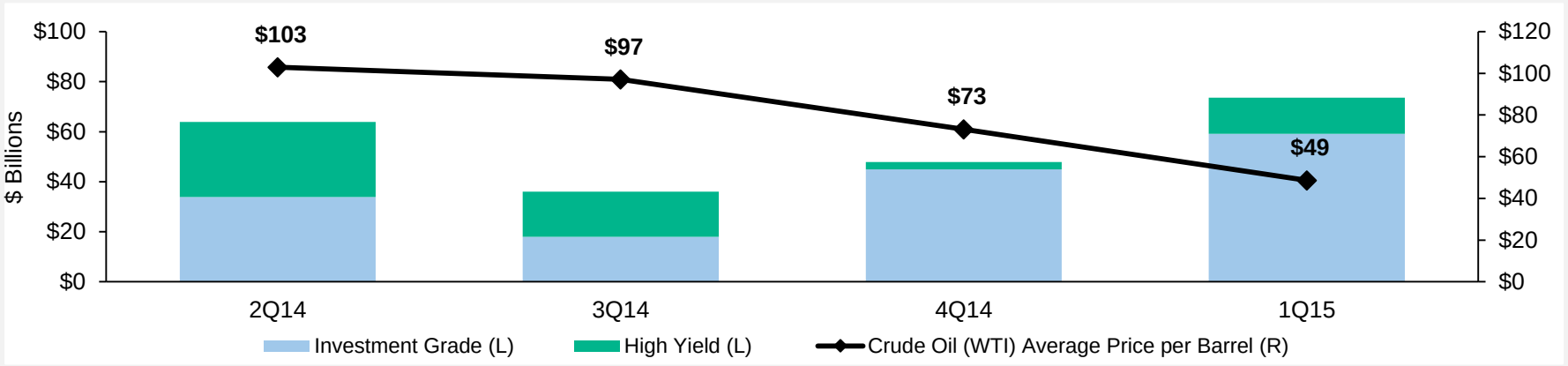
Source: Bloomberg, Dealogic: excludes financial issuance

- Tailwinds:
  - The differential in absolute rates has improved in favor of euro debt
  - Issuers have the opportunity to diversify their investor bases and/or maturity profiles
- Headwinds:
  - More recently, the wider cross-currency basis deterioration has reduced the relative attractiveness of euro funding
  - Bankers are focused on potential issuance oversupply

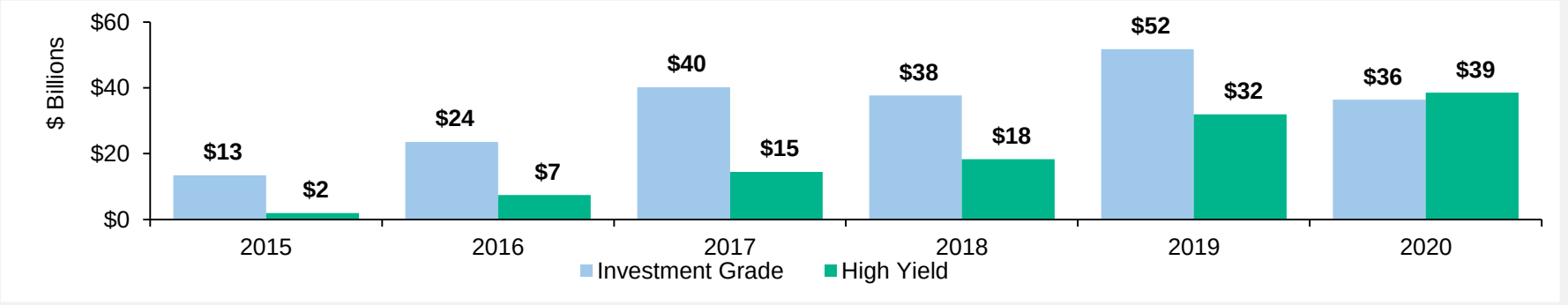
*Composite yield of 10-year, single-A rated debt securities provided by Bloomberg Valuation Service

Oil & Gas Bond Issuance Has Avoided Worst Case Scenarios Despite 50%+ Drop in the Price of Oil

Global Oil and Gas Bond Issuance *



Debt Maturities: Global Moody's –Rated Oil and Gas Bonds **



* Source: Dealogic, Moody's Analytics.

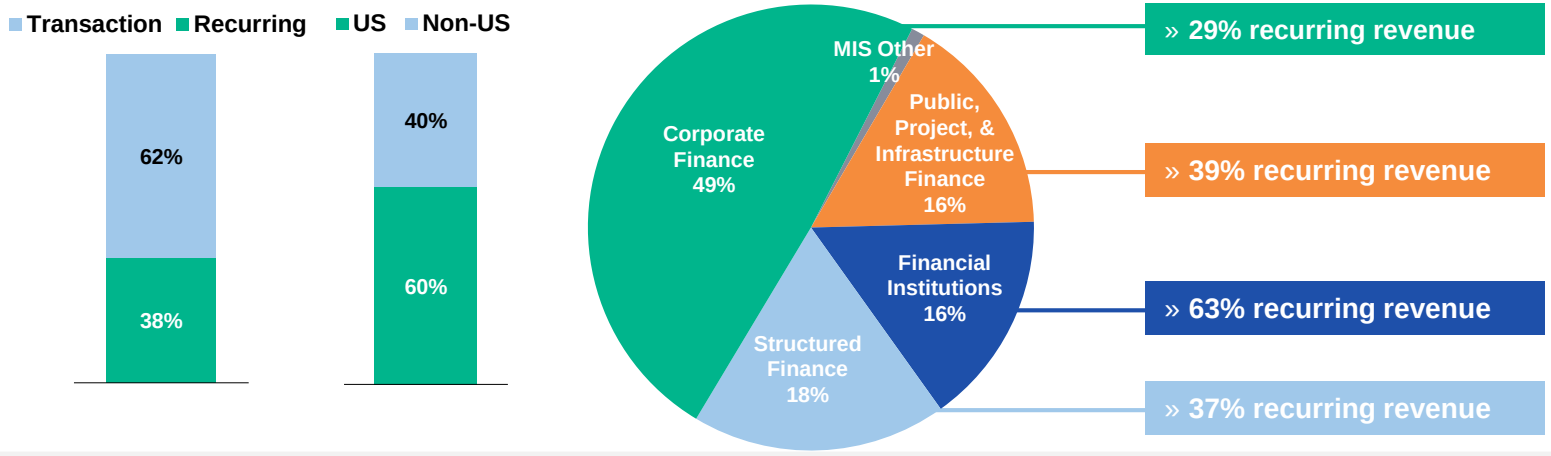
** Source: FactSet. As of April 2015. Includes the following FactSet industry groups: Contract Drilling, Integrated Oil, Oil & Gas Pipelines, Oil & Gas Production, Oil Refining/Marketing, Oilfield Services/Equipment

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Moody's Investors Service

Moody's Investors Service Financial Profile

TTM 1Q15 Revenue: $2.3 billion

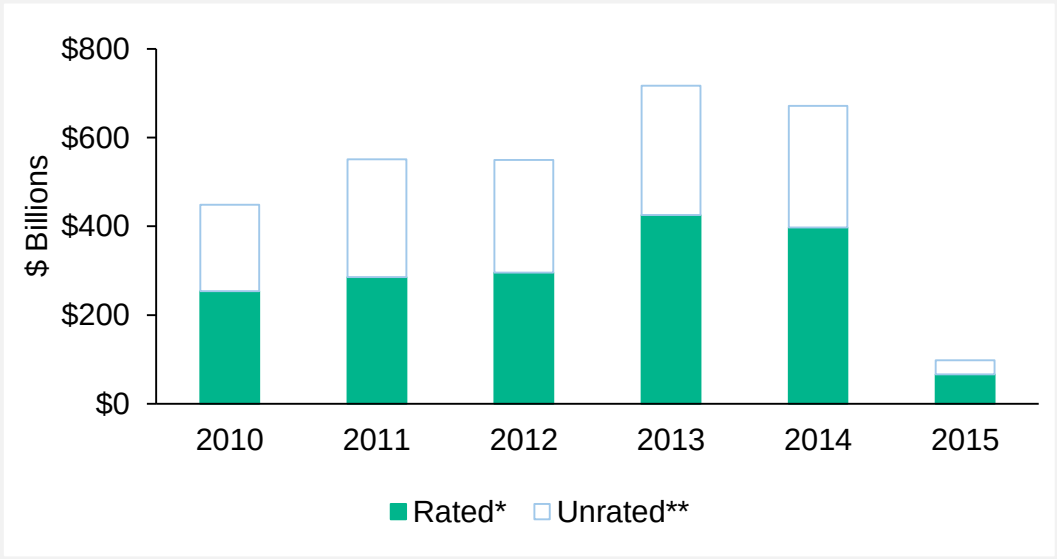


2015 Revenue Guidance as of May 4, 2015

» **Global:**	↑ mid-single-digit % range
» **US:**	↑ high-single-digit % range
» **Non-US:**	↑ low-single-digit % range
» **Corporate Finance:**	↑ mid-single-digit % range
» **Structured Finance:**	↑ low-single-digit % range
» **Financial Institutions:**	↑ low-single-digit % range
» **Public, Project & Infrastructure:**	↑ high-single-digit % range

Bank Loan Issuance Has Decelerated

US Non-Financial Corporate Speculative-Grade Bank Loans*



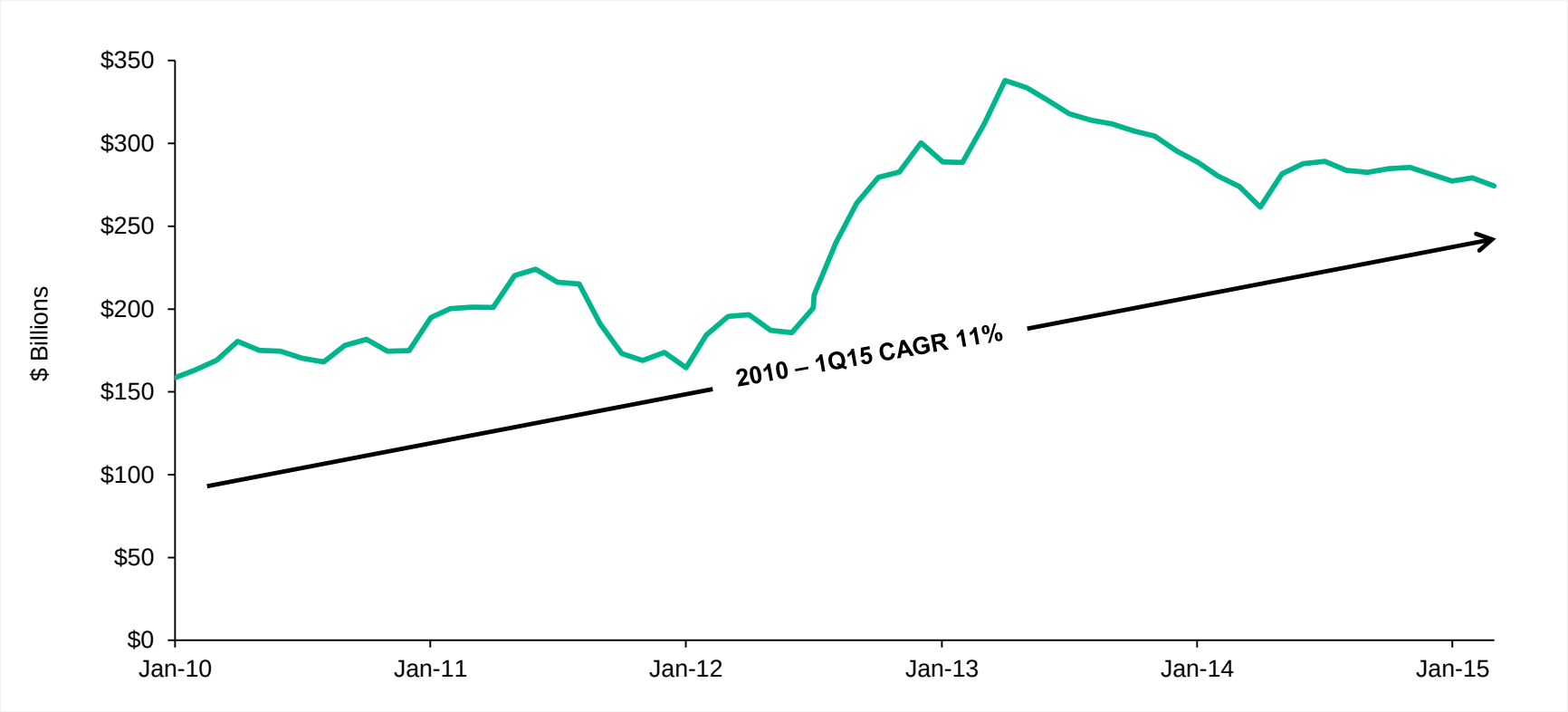
- 2014 European rated bank loan issuance totaled $119 billion, a 47% increase over $81 billion in 2013
  - 1Q15 rated issuance totaled $20 billion, a 31% decline from $29 billion in 1Q14

- Heightened regulation and fewer LBOs are constraining loan volume in 2015
- Interagency regulators (Federal Reserve, OCC and FDIC) implement the Shared National Credit (SNC) Program and introduced Leveraged Lending Guidance (LLG) to constrain highly leveraged transactions
- In the fall of 2014, those banks subject to LLG were criticized for lax credit standards and responded in 2015 by originating fewer highly leveraged loans
- This impacted the volume of single-B rated issuers, representing the majority of new leveraged loan issuance
- Nonetheless, investor demand for leveraged loans remains strong and new issues continue to see good uptake

*Rated bank loan issuance represents Moody's rated non-financial corporate speculative-grade bank loans. It includes term loan B syndicated loans sold to investors.
**Unrated bank loan issuance includes term loan A (retained by the lender) and revolvers.
Sources: Moody's Investors Service.

Emerging Markets Issuance has Grown Substantially, but Will Remain Volatile

Emerging Markets Rated Corporate Bond Issuance*



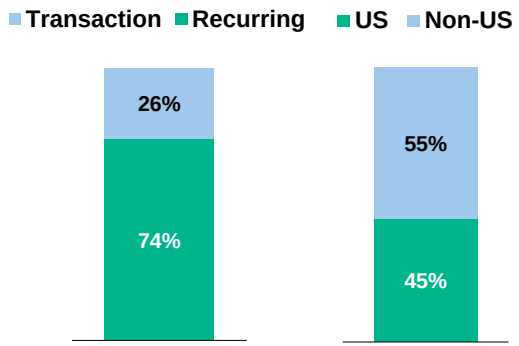
*Moving 12 month sum; includes rated investment grade and high yield corporate bond issuance (financial and non-financial).
Sources: Dealogic, Moody's Capital Markets Research Group.

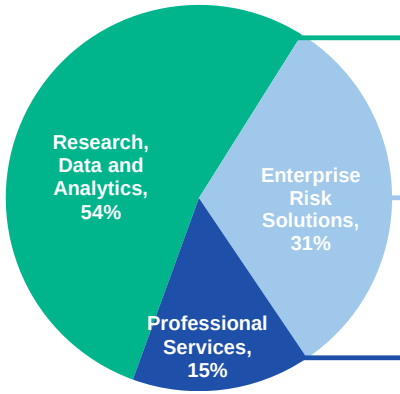
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Moody's Analytics

Moody's Analytics Financial Profile

TTM 1Q15 Revenue: $1.1 billion





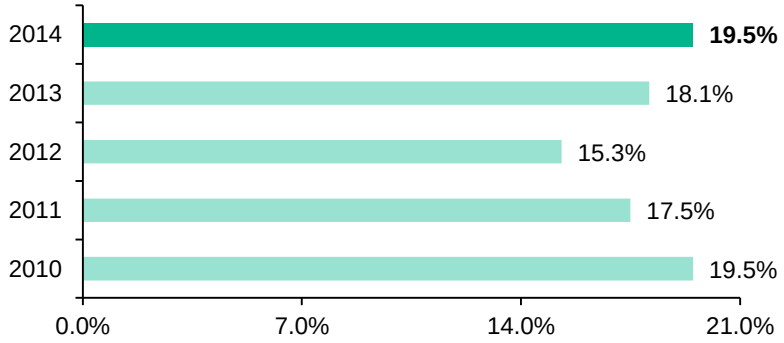
- ~100% recurring revenue
- 96% retention rate
- ~64% recurring revenue
- Combination of one-off contracts and semi-recurring revenue

2015 Revenue Guidance as of May 4, 2015

Global:	↑ mid-single-digit % range
US:	↑ low-double-digit % range
Non-US:	↑ low-single-digit % range
Research, Data & Analytics:	↑ high-single-digit % range
Enterprise Risk Solutions:	↑ mid-single-digit % range
Professional Services	↓ low-single-digit % range

Operating Margin

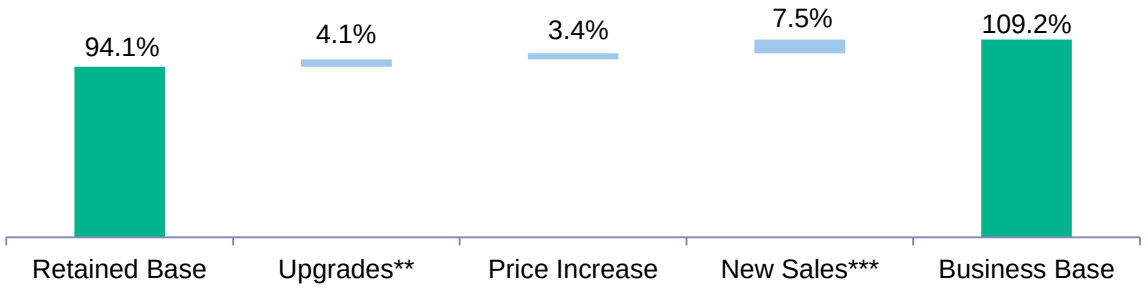
- Expect operating margin to grow to the mid-20's percent range over the next several years



Managing Growth in RD&A

Sales Production by Year

2012*

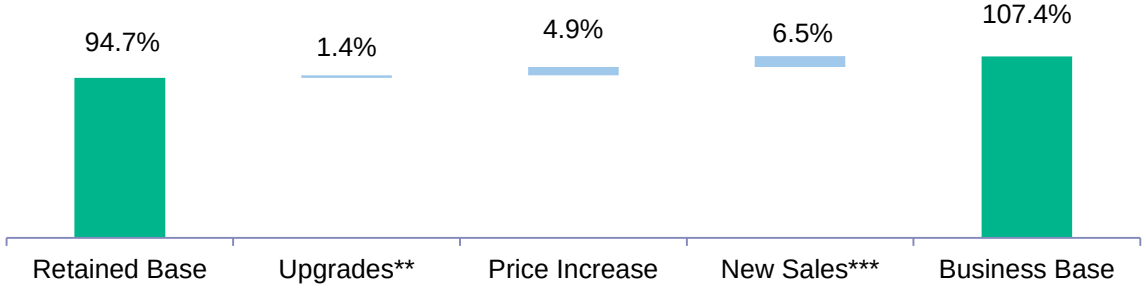


Reported Revenue Growth

$38.0 million

8.5%

2013*

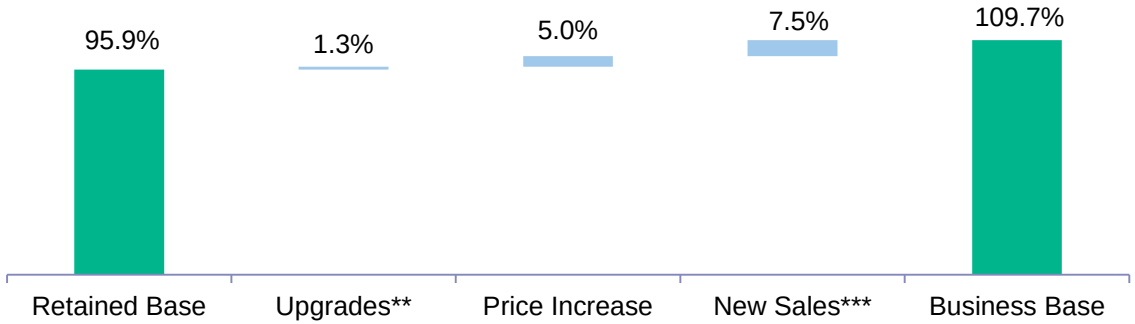


Reported Revenue Growth

$37.1 million

7.7%

2014*



Reported Revenue Growth

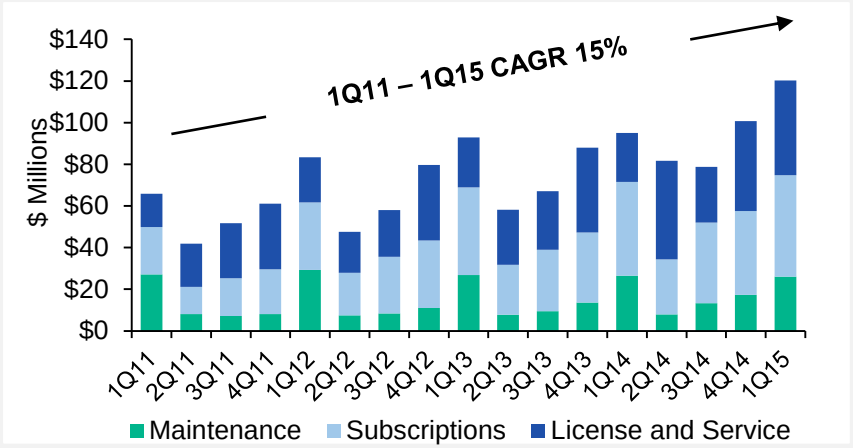
$52.0 million

10.0%

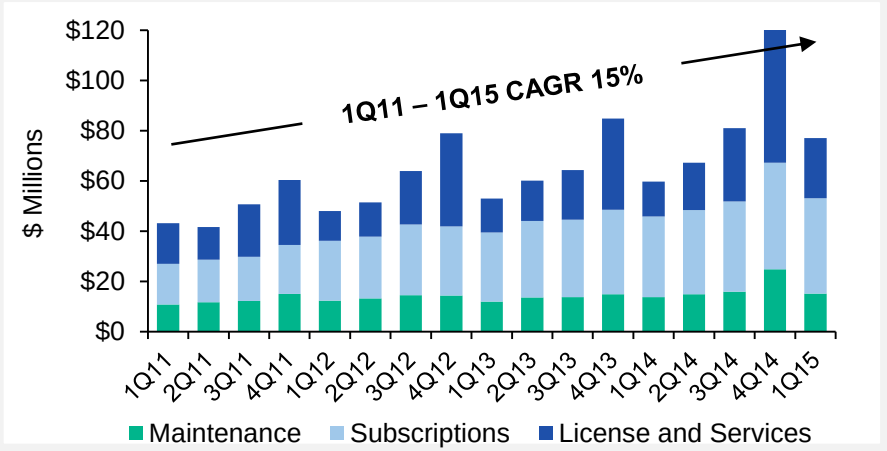
*2012 and 2013 exclude non-rating revenue from KIS (Korea Investors Service) which was reclassed to MIS Other in 2014. 2014 includes the Lewtan acquisition.
**Upgrades reflect amendments to existing customer contracts.
***New Sales reflect new contracts with new and existing customers.

ERS' Renewable Book Growing, But Revenue Dependent on Project Timing

ERS Sales by Type

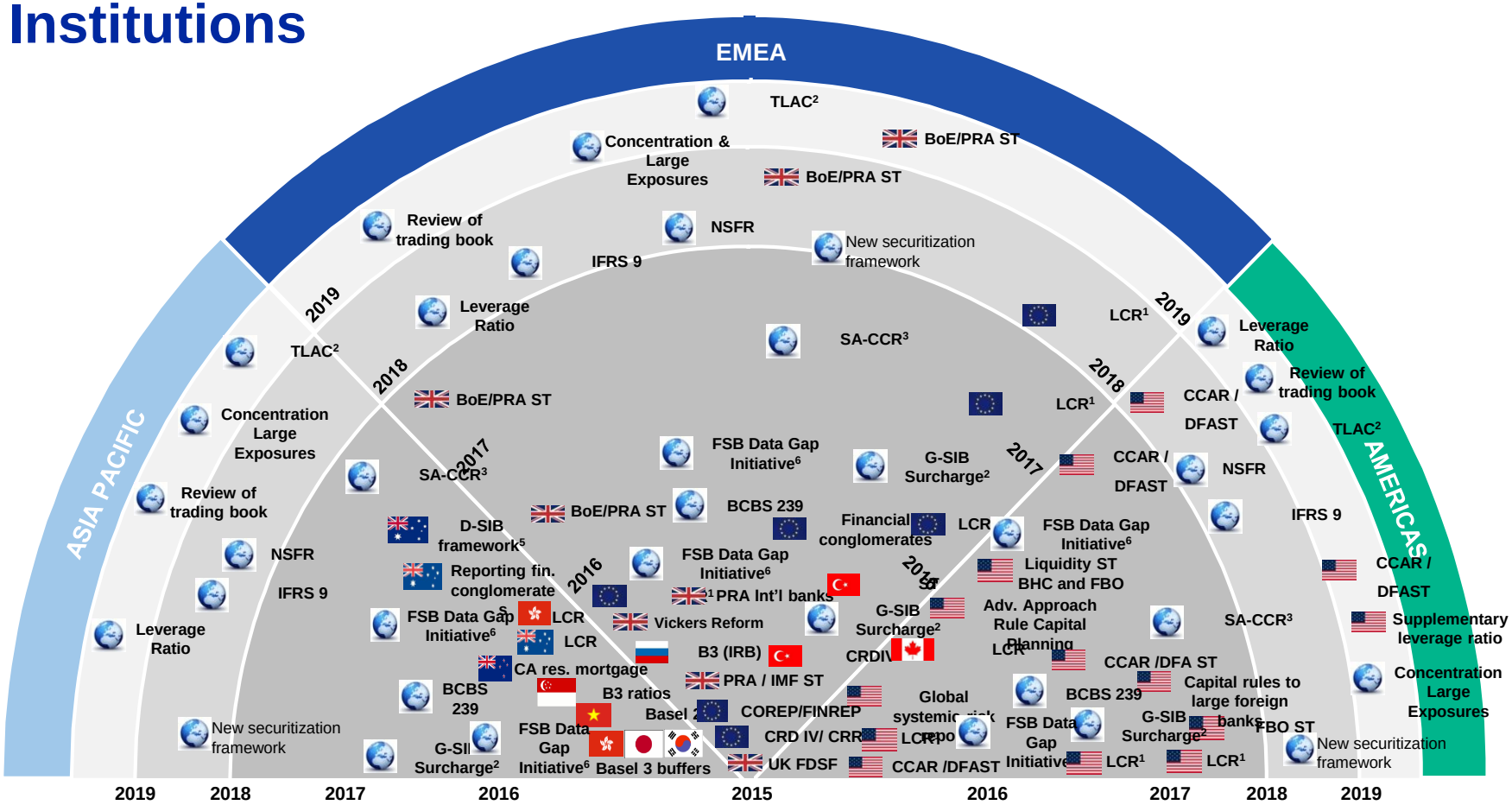


ERS Revenue by Type



- 1Q 2015 recurring Maintenance and Subscriptions revenue represents 69% of total revenue; growing at a 17% CAGR from 1Q11 to 1Q15
- Non-recurring License and Service revenue drives variability in quarter-to-quarter top-line results
  - Revenue recognized as implementation projects are completed and accepted by the customer
  - Sales provide 12-24 months' visibility into revenue
- Seasonal pattern
  - Sales tend to be strongest in 1Q and 4Q, in line with customer budgeting/planning cycles
  - Revenue is typically strongest in 4Q, driven by prior year's sales and customer timelines for year-end project completion

Growing Regulatory Requirements for Financial Institutions



Source: Moody's Analytics market research as of March 2015.

1. The implementation of the LCR in the EU will be: 60% in 2015, 70% in 2016, 80% in 2017 and 100% in 2018. In the US, advanced-approach banks will have to meet 80% of the LCR by January 1, 2015 and 100% of the ratio by Jan. 2017.
2. The G-SIB surcharge will expand the conservation buffer, subject to a 3 year phase in period. G-SIBs will be required to hold a minimum Total Loss-Absorbing Capacity" (TLAC) between 16% and 20% from 2019.
3. The new standardized approach (SA-CCR) replaces both the Current Exposure Method (CEM) and the Standardized Method (SM) in the capital adequacy framework.
4. Regulatory framework for domestic systemically important banks in Australia.
5. Phase 2 will be implemented in 2015 and will focus on liquidity and Phase 3 will be implemented in 2016 and will focus on additional balance sheet data.

Copal Amba is a Market Leader in Analytics and Research Support Services

Copal Amba
A Moody's Analytics Company

- Provider of research, analytics and business intelligence services to global financial institutions and corporations
- ~2,300 employees with strong banking and research backgrounds
- A leading player in the $1 billion third party pure play Knowledge Process Outsourcing (KPO) market

M&A support	Sell-side research	Corporates & professional services	Asset management
» 8 of the world's 10 largest investment banks are clients » Onsite live deal support and high-value language support	» 7 of the world's 10 largest investment banks are clients » Co-branded research offerings	» Fortune 1000 clients across various sectors are clients » 7 of the world's 10 largest consulting firms are clients	» 6 of the world's 15 largest asset managers are clients » Provide research, fund strategy support and forensic audits

5 Conclusion

Why Invest in Moody's?

- **We strive to be the world's most respected authority serving risk-sensitive financial markets**
- **We have had strong revenue and earnings growth, as well as strong cash flow conversion**
  - 2010 – TTM 1Q15 Revenue CAGR of 13%
  - 2010 – TTM 1Q15 non-GAAP EPS* CAGR of 18%
  - 2010 – TTM 1Q15 free cash flow conversion rate of ~30%
- **We are committed to returning capital to our shareholders**
  - Current annualized dividend of $1.36
  - Anticipate total 2015 share repurchases of approximately $1.0 billion**
- **We will selectively invest in strategic growth opportunities**
  - Leverage brand to extend our relevance in financial markets
  - Expand our product offerings and geographic influence

*See appendix for reconciliation of non-GAAP EPS to GAAP EPS.
**Guidance as of May 4, 2015. Subject to market conditions and other ongoing capital allocation decisions.

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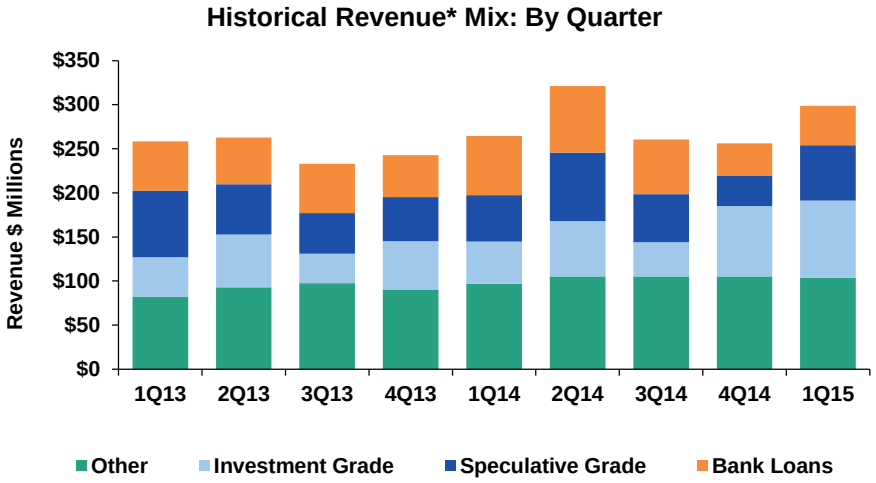
Appendix

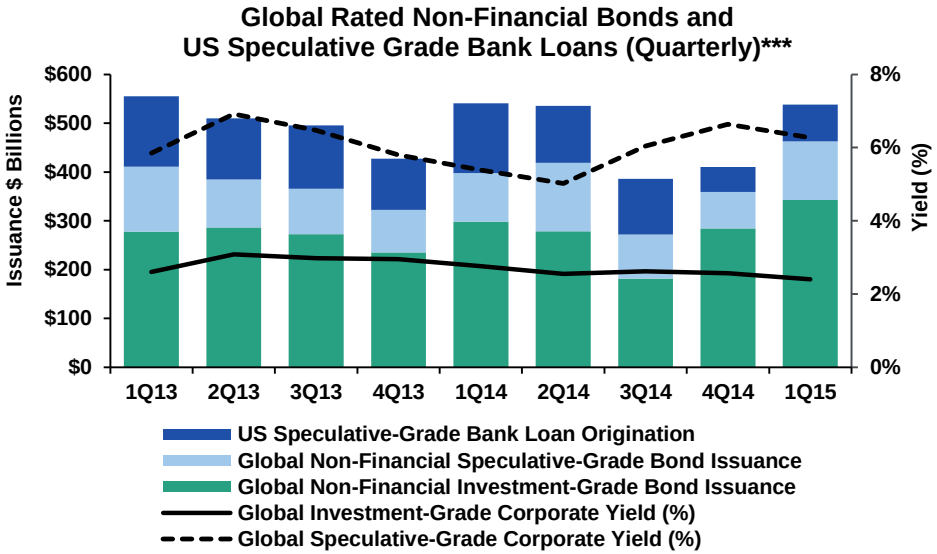
Full-Year 2015 Guidance as of May 4, 2015

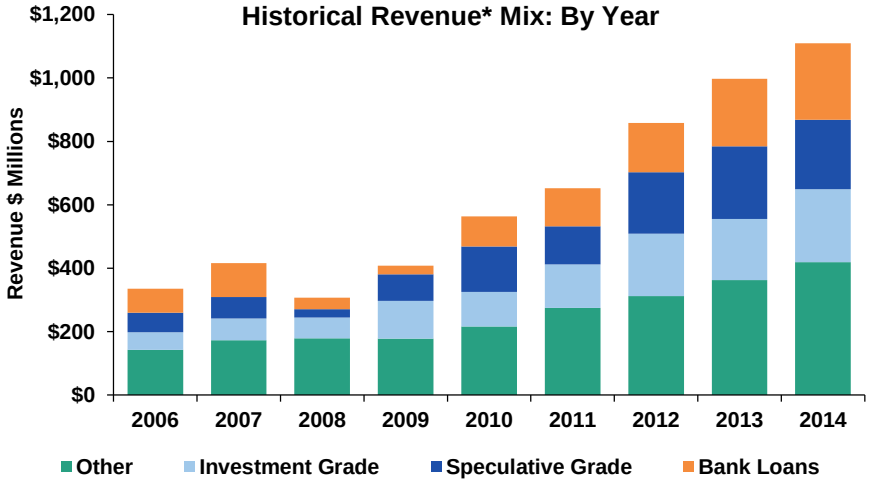
» **Revenue:**	Mid-single-digit % growth range
» **Operating Expenses:**	Mid-single-digit % growth range
» **Operating Margin:**	Approximately 43%
» **Adjusted Operating Margin*:**	Approximately 46%
» **Effective Tax Rate:**	Approximately 32% - 33%
» **GAAP Earnings Per Share:**	$4.55 - $4.65
» **Share Repurchases:**	Approximately $1 billion (subject to available cash, market conditions and other ongoing capital allocation decisions)
» **Capital Expenditures:**	Approximately $110 - $115 million
» **Depreciation & Amortization:**	Approximately $120 million
» **Free Cash Flow:**	Approximately $1 billion

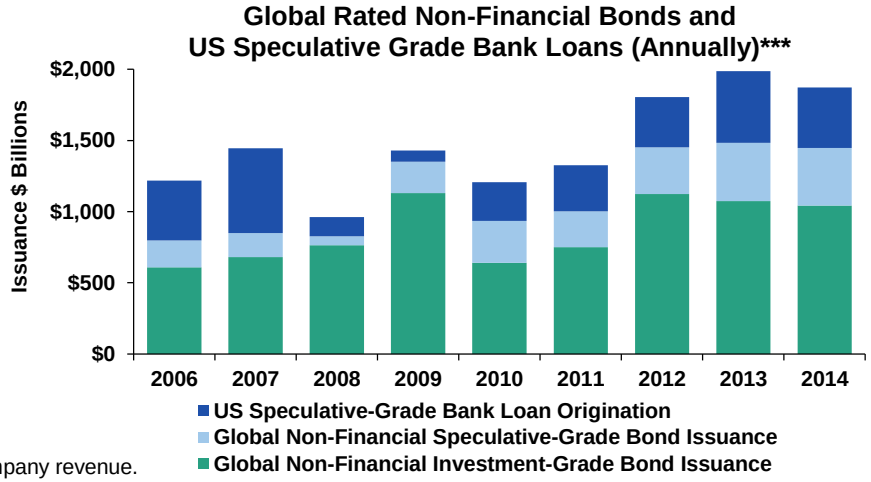
*Amount is a non-GAAP measure. See Appendix for a reconciliation of this non-GAAP measure to its comparable US GAAP measure.

Corporate Finance: Revenue and Issuance





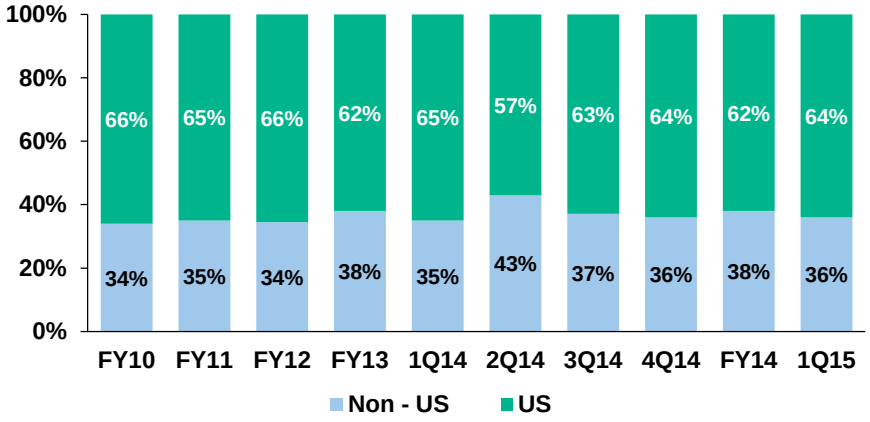




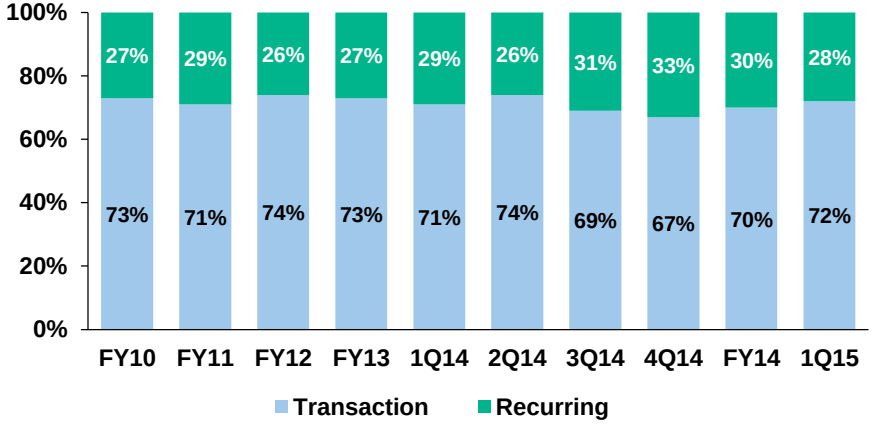
*Historical data has been adjusted to conform with current information and excludes intercompany revenue.
**Other includes: monitoring, CP, MTNs, and ICRA.
***Sources**:** Moody's Capital Markets Research Group, Dealogic, Barclay's Capital; US Speculative-Grade Bank Loan Origination represents Moody's rated new US bank loan programs.
Note: Debt issuance categories do not directly correspond to Moody's revenue categorization.

Corporate Finance: Revenue Diversification

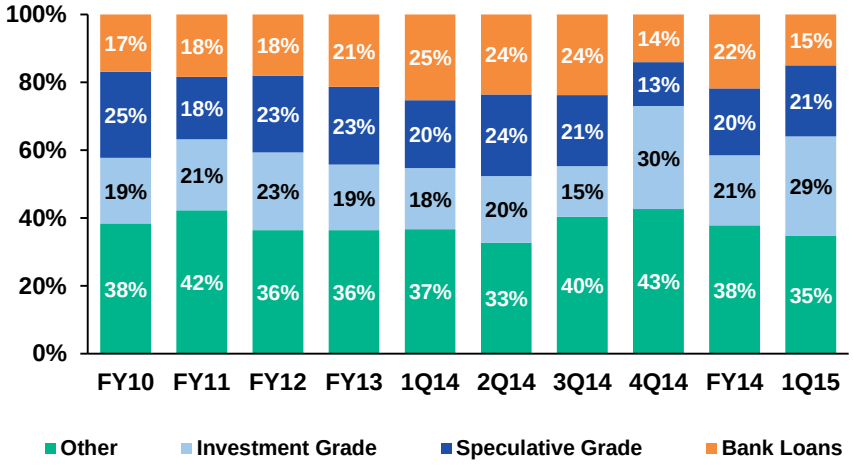
Revenue* Distribution: Geography



Revenue* Distribution: Recurring vs. Transaction

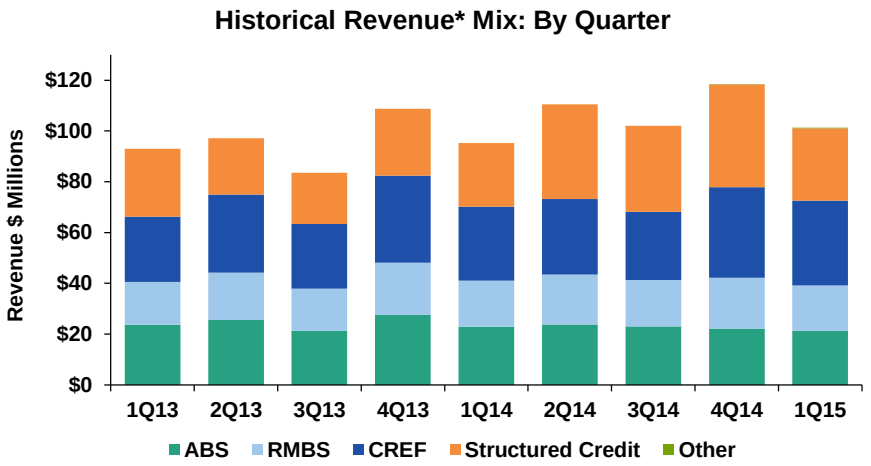


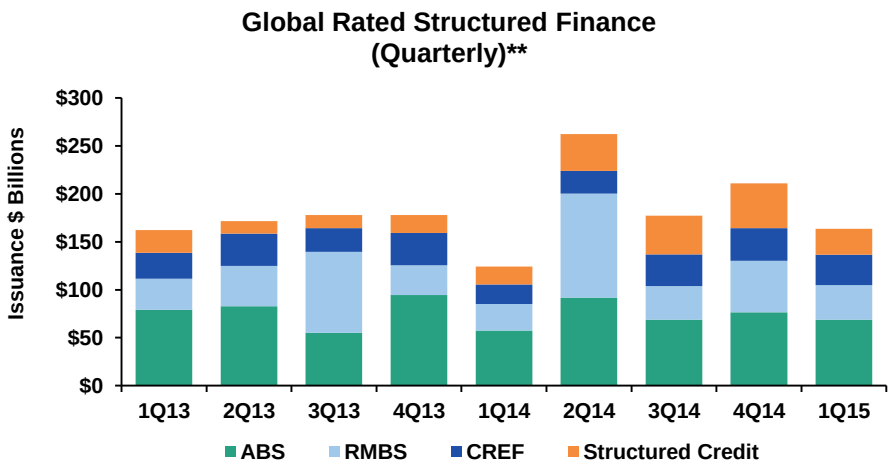
Revenue* Distribution: Product

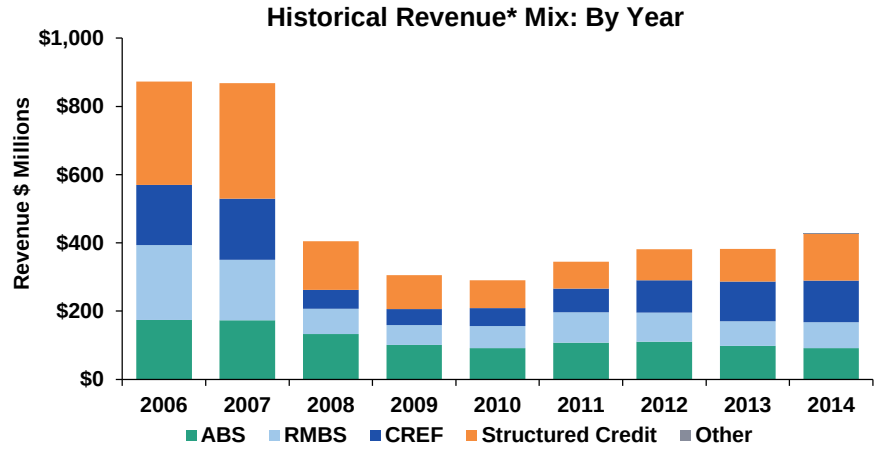


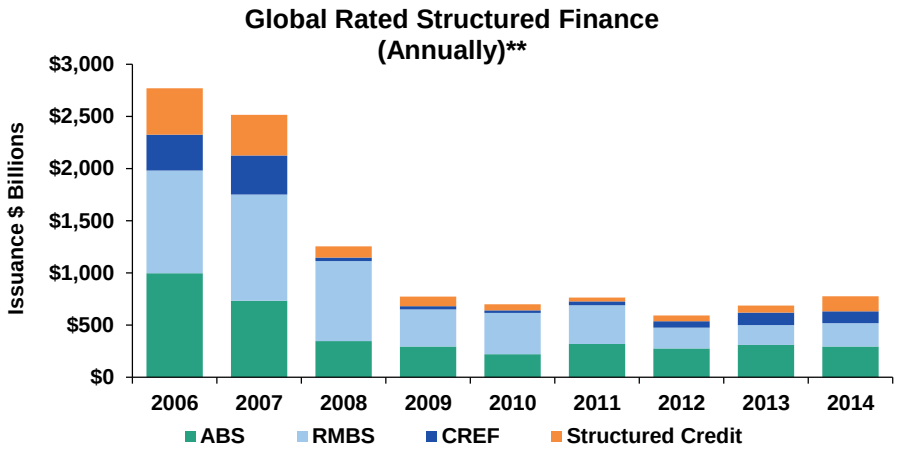
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Structured Finance: Revenue and Issuance





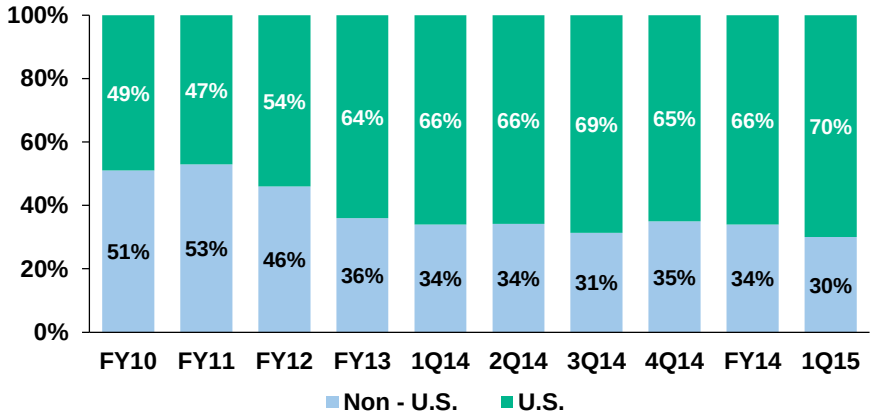




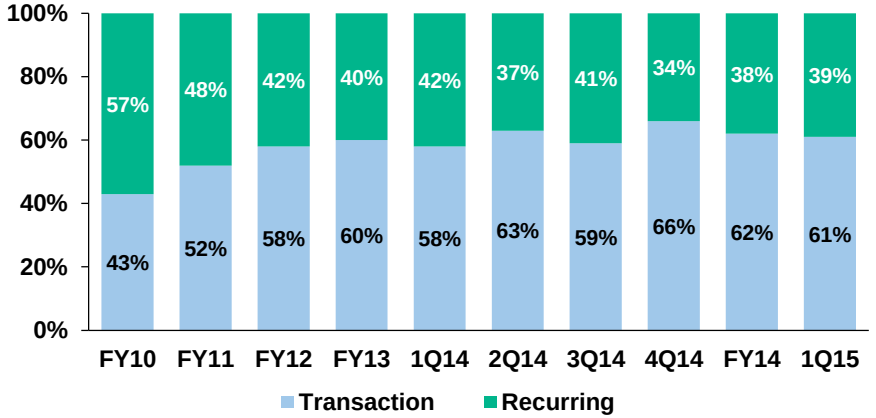
*Historical data has been adjusted to conform with current information and excludes intercompany revenue.
**Sources: AB Alert, CM Alert, Moody's Corporation. Debt issuance categories do not directly correspond to Moody's revenue categorization.
Notes: ABS (Asset Backed Securitization) includes asset-backed commercial paper and long-term asset-backed securities. RMBS (Residential Mortgage Backed Securitization) includes covered bonds. CREF (Commercial Real Estate Finance) includes commercial mortgage-backed securities, real estate finance, and commercial real estate CDOs. Structured Credit includes CLOs and CDOs.

Structured Finance: Revenue Diversification

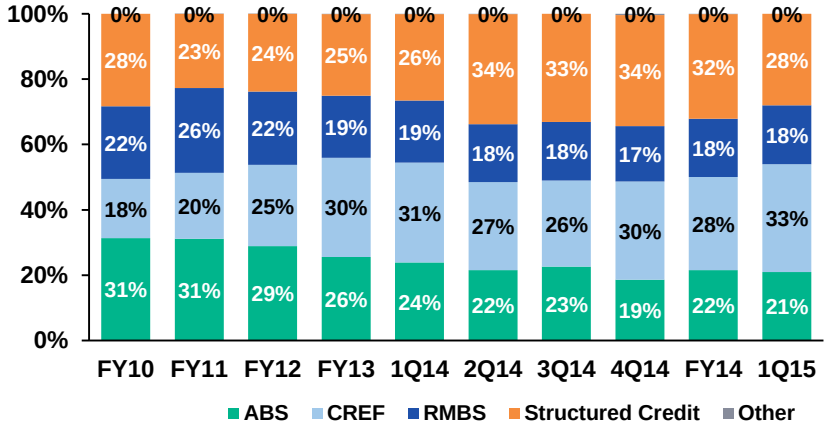
Revenue* Distribution: Geography



Revenue* Distribution: Recurring vs. Transaction

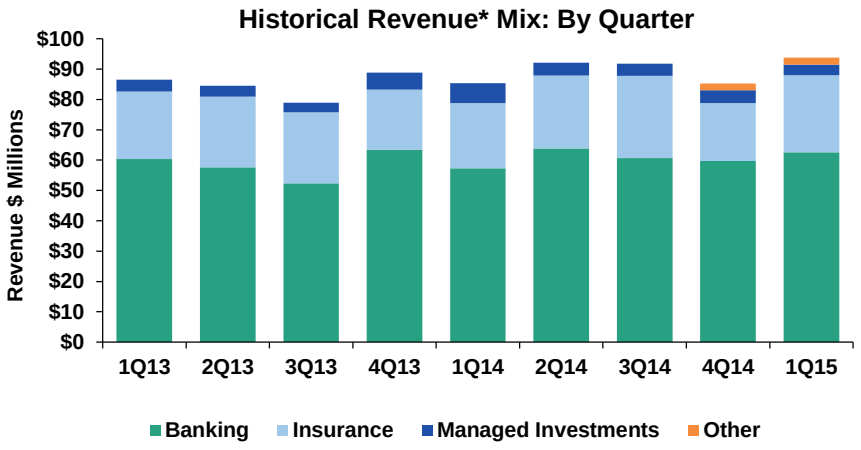


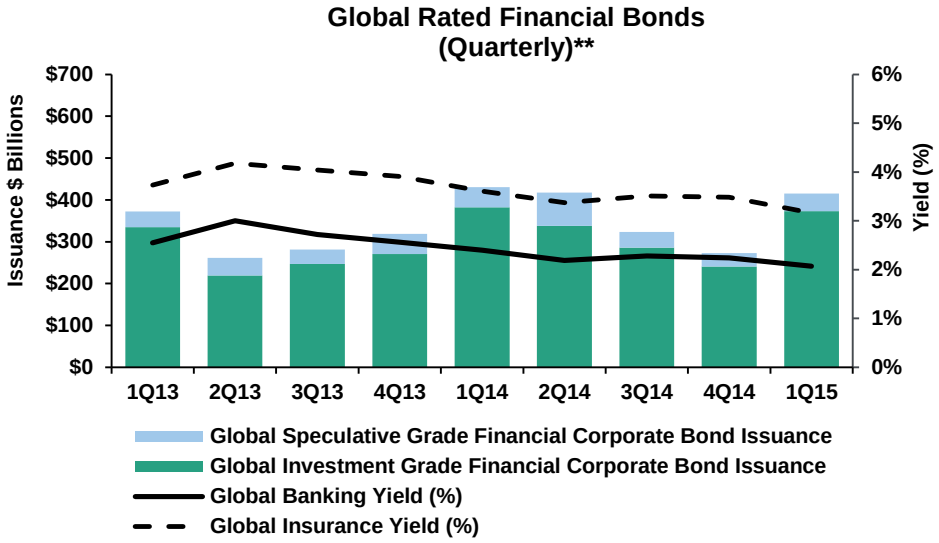
Revenue* Distribution: by Product

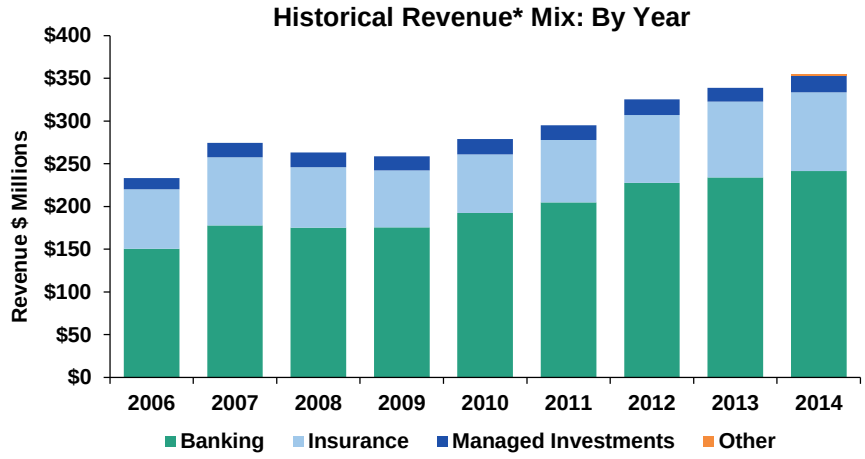


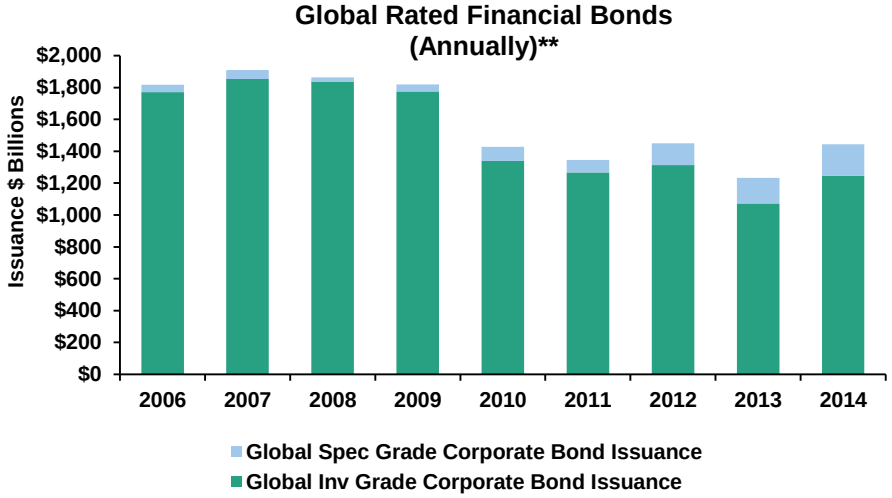
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Financial Institutions: Revenue and Issuance



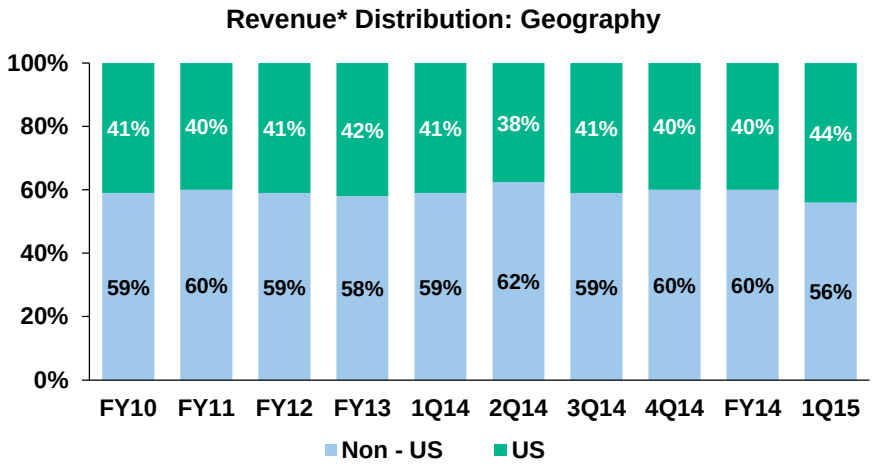


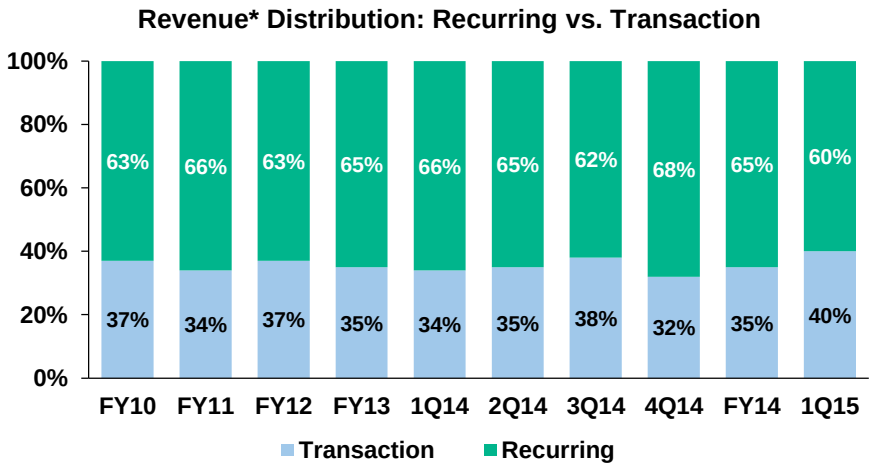


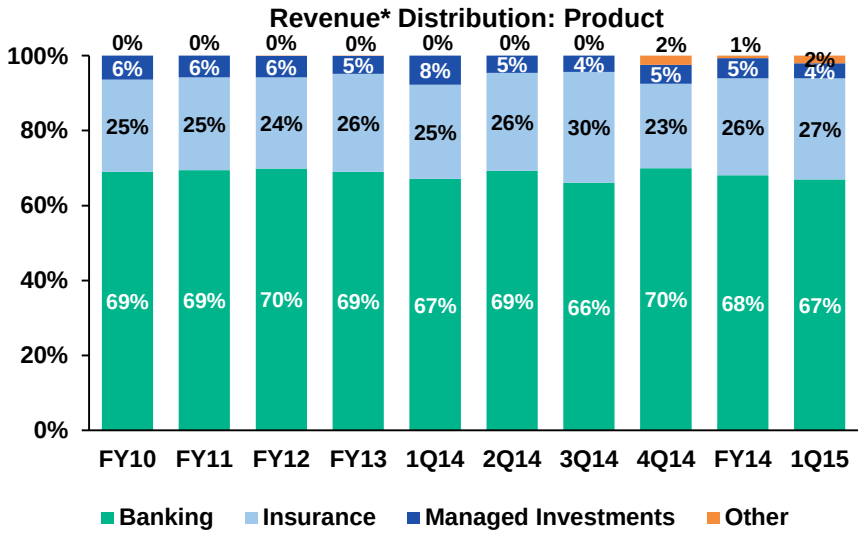


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Financial Institutions: Revenue Diversification

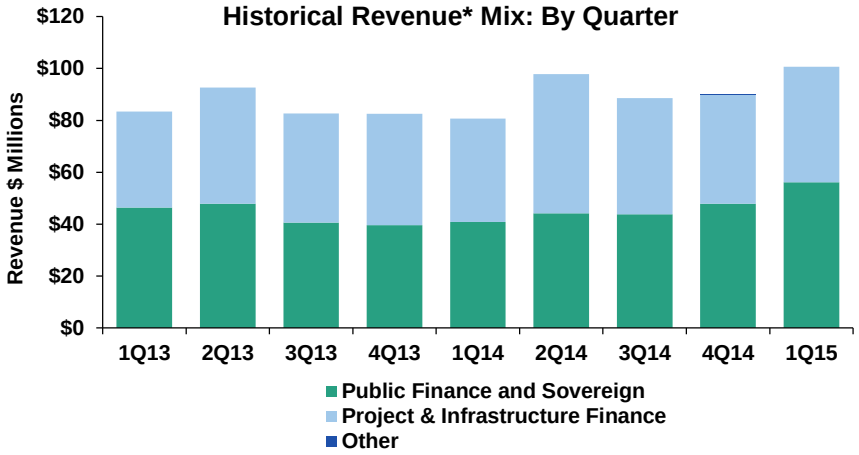


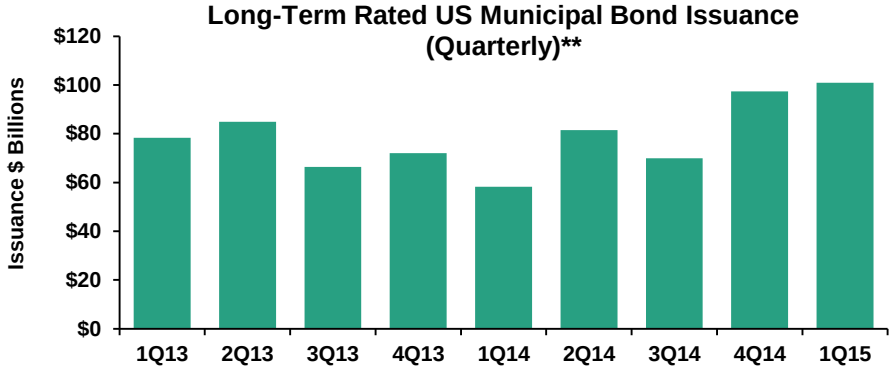


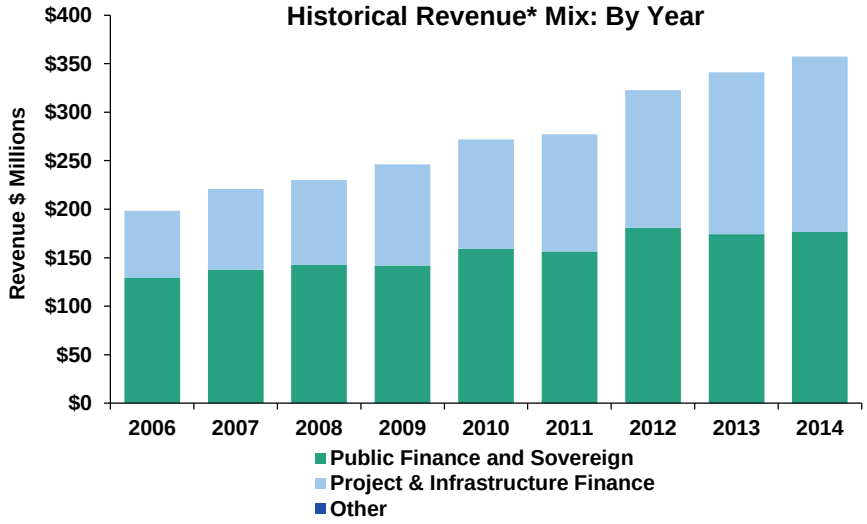


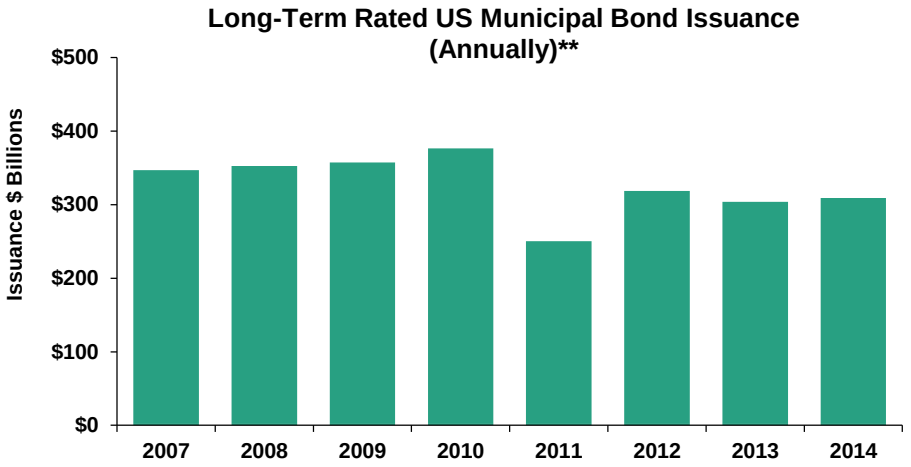
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Public, Project and Infrastructure: Revenue and Issuance



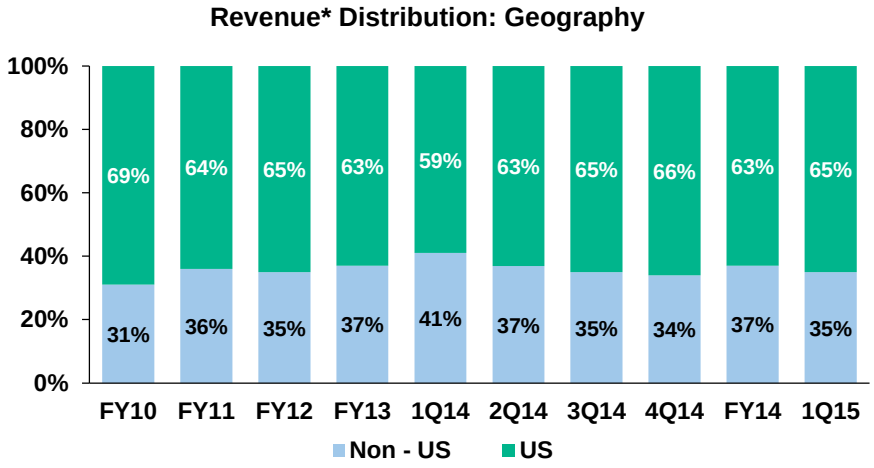


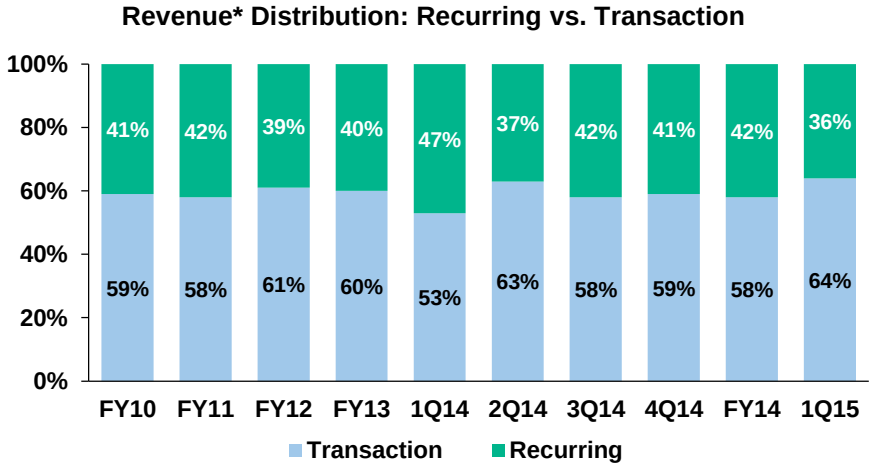


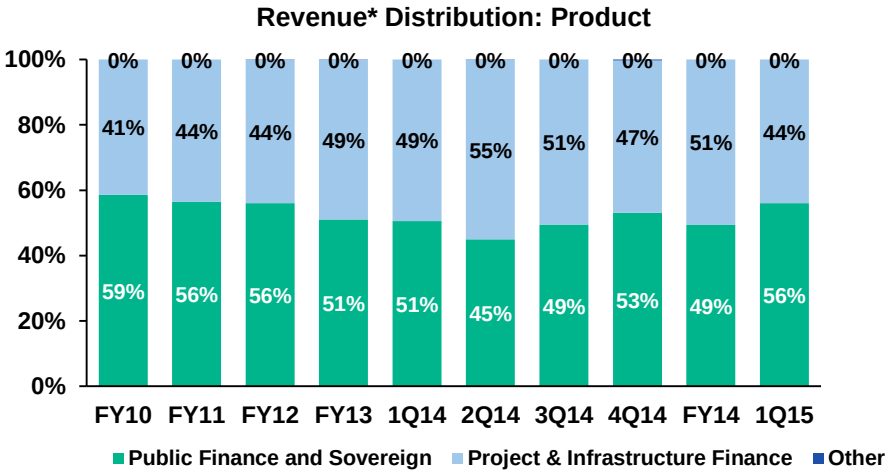


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**Sources: Thomson SDC, Moody's Corporation. Note: Debt issuance categories do not directly correspond to Moody's revenue categorization.

Public, Project and Infrastructure: Revenue Diversification

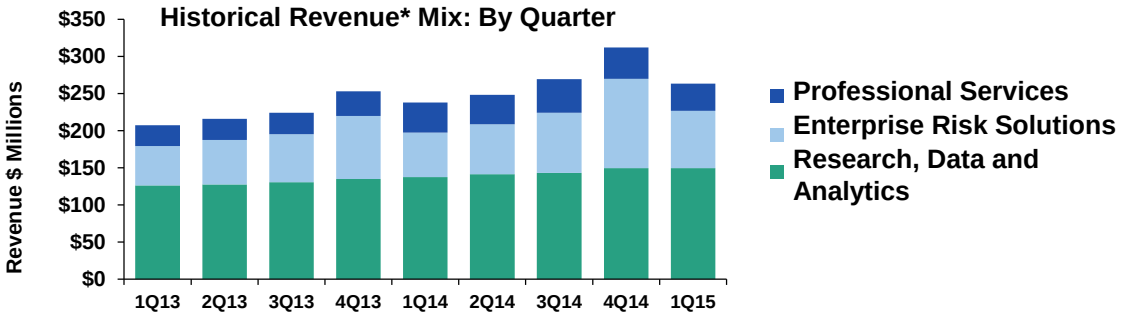


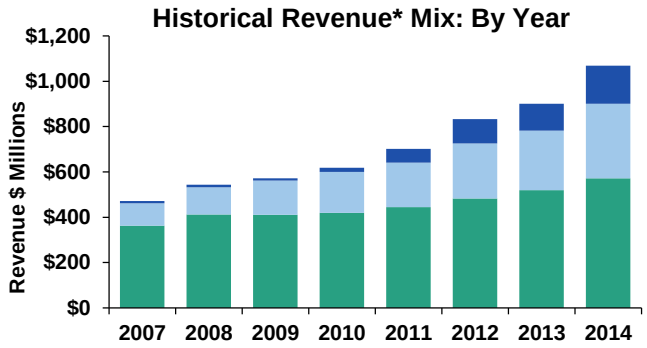


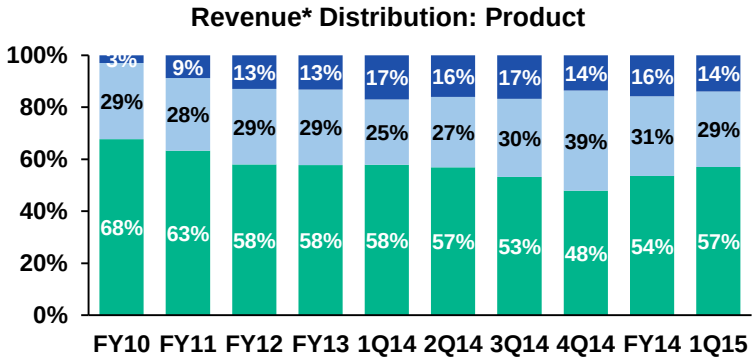


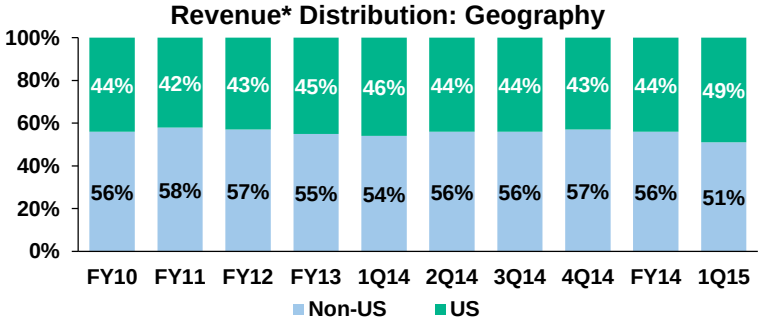
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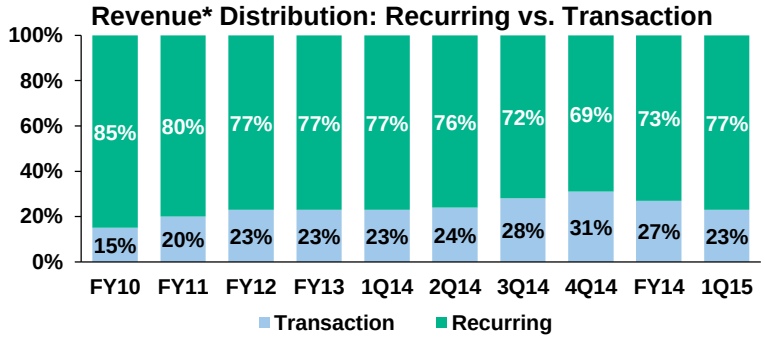
Moody's Analytics: Financial Overview











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Incentive Compensation – Funding Metrics

- Pool funding metrics differ based on level and individual areas of responsibility
- Payout to individual employees based on achievement of individual objectives
- Table below excludes Moody's Sales team which is subject to a Commission Plan

Annual Cash Incentives

Eligible Population	MA	MIS	MCO Corporate Groups***
NEOs* and Other CEO Direct Reports**	• MCO Operating Income • MCO EPS • MA Operating Income	• MCO Operating Income • MCO EPS • MIS Operating Income	• MCO Operating Income • MCO EPS
All Other Management** and Professional Staff	• MA Operating Income • MA Sales	• MIS Operating Income	• MCO Operating Income

Long-Term Stock Incentives – 3-Year Performance Share Plan

Eligible Population	MA	MIS	MCO Corporate Groups***
"Top 50" including NEOs* and Other CEO Direct Reports**	• MCO EBITDA**** • MA Sales	• MCO EBITDA**** • MIS Ratings Quality	• MCO EBITDA**** • MA Sales • MIS Ratings Quality

*NEOs = Named Executive Officers as included in Moody's proxy statements

**Bonus plan for Chief Risk Officer and Compliance/Credit Policy automatically funds at 100% to avoid potential conflicts of interest. Payout to these employees is based on achievement of their individual non-financial goals. Excludes Copal Amba employees except Copal Amba CEO, whose metrics include Copal Amba Sales and Operating Income.

***MCO Corporate Groups include Finance, Accounting, Legal, Human Resources, and others. CFO metrics also include Copal Amba operating income.

****To better align long-term incentives with Moody's acquisition strategy, EPS, which was one of the measures used prior to 2012, was replaced by EBITDA

Select Regulations Related to Structured Finance

Dodd-Frank Act

Volcker Rule (§619)

The Volcker Rule prohibits banking entities from engaging in short-term proprietary trading of certain securities and derivatives for their own account. The Volcker Rule also imposes limits on banking entities' investments in, and relationships with, hedge funds and private equity funds. In mid-January 2014, the five federal agencies adopted an interim final rule which permits the banking entities to retain interests in certain collateralized debt obligations backed primarily by trust preferred securities that would otherwise be subject to the Volcker Rule's covered fund investment prohibitions.

On December 18, 2014, The Fed extended until July 21, 2016 the period given to the banking entities to conform their investments in and their relationships with covered funds and foreign funds that were in place prior to December 31, 2013. The Board also announced its intention to act next year to grant banking entities an additional one-year extension of the conformance period until July 21, 2017, to conform ownership interests in and relationships with legacy covered funds.

The Volcker Rule provides that a banking entity may not acquire or retain any ownership interest in a covered fund. However, a foreign banking entity may acquire or retain an ownership interest in, or sponsor, a covered fund "solely outside of the United States" (the SOTUS Exemption). On February 27, 2015, the five federal agencies released new guidance which clarifies the circumstances under which a foreign banking entity may continue to hold, or make, investments in a "third-party covered fund."

Concentration limits on large financial firms (§622)

On November 5, 2014, the Fed issued a final rule which generally prohibits a financial company from combining with another company if the ratio of the resulting company's liabilities exceeds 10 percent of the aggregate consolidated liabilities of all financial companies. Under the final rule, if a financial company has reached the 10 percent concentration limit, the company could not acquire control of another company under merchant banking authority. The final rule also adds an exemption to clarify that a financial company may continue to engage in securitization activities if it has reached the limit. The rule became effective on January 1, 2015.

Enhanced Prudential Standards (§165)

On February 18, 2014, the Fed approved a final rule strengthening the supervision and regulation of large US bank holding companies and foreign banking organizations ("FBO"). The final rule establishes a number of enhanced prudential standards, including liquidity, risk management, and capital. It also requires a FBO with a significant US presence to establish an intermediate holding company over its US subsidiaries.

On September 3, 2014, the federal banking regulators adopted a final rule on the liquidity coverage ratio which strengthens the liquidity positions of large financial institutions. Each institution will be required to hold high quality, liquid assets that can be converted quickly into cash in an amount equal to or greater than its projected cash outflows minus its projected cash inflows during a 30-day stress period.

On September 9, 2014, the federal banking agencies have issued a joint final rule that revises the denominator of the supplementary leverage ratio (total leverage exposure). The final rule aligns the agencies' methods of calculation with the international leverage ratio standards and it applies to banking organizations subject to the advanced approaches risk-based capital rules.

Select Regulations Related to Structured Finance (continued)

Dodd-Frank Act (continued)

QM (§§1411, 1412, 1414)	Effective January 10, 2014, mortgage lenders must comply with the Consumer Finance Protection Bureau's Ability-To-Repay and Qualified Mortgage Rule. The rule also provides a safe harbor for loans that satisfy the definition of a qualified mortgage ("QM") and are not "higher-priced," and provides a rebuttable presumption for higher-priced mortgage loans.
QRM (§941)	Exempts from risk retention requirements asset-backed securities ("ABS") that are collateralized exclusively by residential mortgages that qualify as "qualified residential mortgages " ("QRM"). In a final rule issued on October 22, 2014, six federal agencies, including the Federal Reserve Board and the SEC, adopted a definition of QRM that is aligned with the definition of QM. Qualified Commercial Real Estate Loans ("QCREL") will also be exempt from risk retention.
Loan-Level Disclosure (§942)	Increases disclosure and may reduce issuance volume. The regulation requires an issuer of ABS to disclose, for each tranche or class of security, certain loan level information regarding the assets backing that security.
Risk Retention (§941)	On October 22, 2014, six federal agencies approved a final rule requiring retention of an unhedged and untransferable 5% credit risk of SF securities, potentially dampening US SF issuance for certain asset classes. The final rule generally permits risk retention to be accomplished through one or a combination of methods. The final rule also provides additional or modified risk retention methods for specific types of transactions, including asset-backed commercial paper conduits, commercial mortgage-backed securities, securitizations sponsored by Fannie Mae and Freddie Mac, open-market CLOs, and revolving pool securitizations. Special rules for CMBS (third party holder of first loss piece) if certain criteria are met). The final rule also sets forth prohibitions on transferring or hedging the credit risk that the sponsor is required to retain. The final rule also does not require any retention for securitizations of commercial loans, commercial mortgages, or automobile loans if they meet specific standards for high quality underwriting. The final rule applies to asset-backed securities issued on or after December 24, 2015, if the securities are backed by residential mortgages. The final rule applies to all other classes of asset-backed securities issued on or after December 24, 2016.

Select Regulations Related to Structured Finance (continued)

Dodd-Frank Act (continued)

Reg. AB II

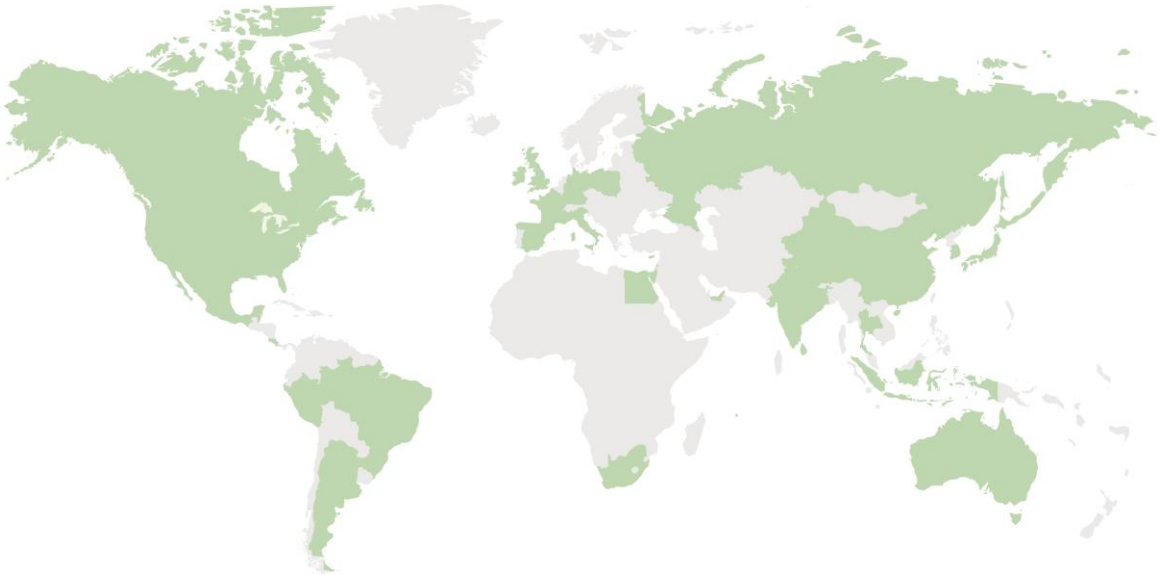
The Reg. AB II Final Rules became effective on November 24 , 2014 and provide new disclosure and reporting requirements for certain ABS. The Reg. AB II Final Rules require issuers of registered and publicly offered ABS that consist of RMBS, CMBS, auto loans and auto leases and resecuritizations of ABS that include these asset types, or of debt securities, to provide investors with asset-level data, both at the time of an offering and on an ongoing basis. The Reg. AB II Final Rules also enhance disclosure requirements for initial ABS offerings and periodic reports, dictate the timing for filing a preliminary prospectus and other transaction documents and provide new requirements for shelf registrations of ABS . Issuers of ABS must comply with the new rules, forms, and disclosure requirements (other than asset-level disclosure requirements) no later than November 23, 2015. Issuers of RMBS, CMBS, auto ABS and debt securities (including resecuritizations) must comply with the asset-level disclosure requirements no later than November 23, 2016.

The definition of ABS, as used in the Reg. AB II Final Rules, is narrower than the definition set forth in the Securities Exchange Act of 1934 and does not include certain "structured finance products" such as securitizations of managed pools or synthetic transactions.

Rule 17g-10 Regarding Third-Party Due Diligence Reports in Connection With Offerings of Asset-Backed Securities

The Exchange Act requires the issuer or underwriter of any asset-backed security to make publicly available the findings and conclusions of any third-party due diligence report obtained by the issuer or underwriter. The Exchange Act also requires that in any case in which third-party due diligence services are employed by an NRSRO, issuer, or underwriter, the person providing the due diligence services shall provide, to any NRSRO that produces a credit rating to which such services relate, written certification, in a format as set forth in section 15E(s)(4)(C) of the Exchange Act. Rule 17g-10 will require the mandated written certification to be made on new Form ABS Due Diligence-15E. The offshore transactions and the municipal securities are excluded. The rule will become effective on June 15, 2015.

Moody's Global Presence



2015	3,202	+	6,768	=	9,970	
	US employees		non-US employees		total employees*	
2014	2,860	+	5,665	=	8,525	
	US employees		non-US employees		total employees**	

Americas

Argentina
Brazil
Canada
Costa Rica
Mexico
United States

Europe, Middle East & Africa

Cyprus
Czech Republic
Egypt
France
Germany
Ireland
Israel
Italy
Mauritius
Poland
Russia
South Africa
Spain
Switzerland
UAE
United Kingdom

Asia-Pacific

Australia
China
Hong Kong
India
Indonesia
Japan
Korea
Nepal
Singapore
Sri Lanka
Thailand

Affiliates (Moody's Ownership)

China – CCXI (49%)
Egypt – MERIS (40%)
India – ICRA (50.06%)
Israel – Midroog (51%)
Korea – Korea Investors Service (50%)
Peru – Equilibrium (0%)***
Russia – MIRA (51%)

*As of March 31, 2015
**As of March 31, 2014
***Moody's has a Technical Services Agreement with Equilibrium, a rating agency that provides credit rating and research services.

Recurring Revenue Detail

Recurring Revenue

(in $ millions)	2010	2011	2012	2013	2014	TTM 1Q15	2010 – TTM 1Q15 CAGR
Corporate Finance	$ 155	$ 190	$ 226	$ 273	$ 327	$ 336	16%
Structured Finance	$ 165	$ 165	$ 159	$ 151	$ 162	$ 162	0%
Financial Institutions	$ 177	$ 194	$ 204	$ 219	$ 231	$ 231	5%
Public, Project, & Infrastructure Finance	$ 111	$ 116	$ 126	$ 137	$ 148	$ 147	6%
MIS Other	$ 9	$ 9	$ 11	$ 12	$ 14	$ 15	11%
Moody's Investors Service	$ 616	$ 674	$ 725	$ 793	$ 882	$ 890	7%
Moody's Analytics	$ 528	$ 563	$ 641	$ 697	$ 785	$ 805	8%
Moody's Corporation	$ 1,144	$ 1,236	$ 1,366	$ 1,490	$ 1,668	$ 1,695	8%

Table may not sum to total due to rounding.

Reconciliation of Non-GAAP Financial Measures to GAAP

Adjusted Operating Income and Adjusted Operating Margin Reconciliation

(in $ millions)	2010	2011	2012	2013	2014
As Reported Operating Income	$772.8	$888.4	$1,077.4	$1,234.6	$1,439.1
Operating Margin	*38.0%*	*39.0%*	*39.5%*	*41.5%*	*43.2%*
Add Adjustment:					
Depreciation & Amortization	*66.3*	*79.2*	*93.5*	*93.4*	*95.6*
Restructuring	*0.1*	*-*	*-*	*-*	*-*
Goodwill Impairment Charge	*-*	*-*	*12.2*	*-*	*-*
Adjusted Operating Income	$839.2	$967.6	$1,183.1	$1,328.0	$1,534.7
Adjusted Operating Margin	*41.3%*	*42.4%*	*43.3%*	*44.7%*	*46.0%*

Moody's Corporation Operating Margin Guidance Reconciliation

	2015F*
Projected Operating Margin - GAAP	Approximately 43%
Projected impact from Depreciation & Amortization	Approximately 3%
Projected Adjusted Operating Margin	Approximately 46%

*Guidance as of May 4, 2015

Reconciliation of Non-GAAP Financial Measures to GAAP (cont.)

Moody's Corporation Free Cash Flow Reconciliation

(in $ millions)	2010	2011	2012	2013	2014	2015F*
Cash Flow from Operations	$ 653.3	$ 803.3	$ 823.1	$ 926.8	$ 1,018.6	~$1,110.0 - $1,115.0
Less Adjustment:						
Capital Expenditures	*$ 79.0*	*$ 67.7*	*$ 45.0*	*$ 42.3*	*$ 74.6*	$110.0 - $115.0
Free Cash Flow	$ 574.3	$ 735.6	$ 778.1	$ 884.5	$ 944.0	~$1,000.0
Cash Flow used in Investing Activities	$ (228.8)	$ (267.6)	$ (50.2)	$ (261.9)	$ (564.9)	
Cash Flow provided by (used in) Financing Activities	$ (241.3)	$ (417.7)	$ 202.6	$ (498.8)	$ (1,064.5)	

*Guidance as of May 4, 2015

Reconciliation of Non-GAAP Financial Measures to GAAP (cont.)

Moody's Corporation EPS Reconciliation

	2010	2011	2012	2013	1Q14	2Q14	3Q14	4Q14	2014	1Q 2015
Diluted EPS - GAAP	$2.15	$2.49	$3.05	$3.60	$1.00	$1.48	$1.00	$1.12	$4.61	$1.11
Legacy Tax	-0.02	-0.03	-0.06	-0.09	-	-	-0.03	-	-0.03	-
Impact of litigation settlement	-	-	-	0.14	-	-	-	-	-	-
ICRA Gain	-	-	-	-	-	-0.37	-	-	-0.37	-
Diluted EPS – Non-GAAP	$2.13	$2.46	$2.99	$3.65	$1.00	$1.12	$0.97	$1.12	$4.21	$1.11

Table may not sum to total due to rounding.

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