Moody's

Moody's Analytics

Strengthening Moody's Position in Financial Risk Management

MARCH 23, 2016

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 2016 and other forward-looking statements in this presentation are made as of February 5, 2016, 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 are 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; 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, 2015 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
- Revenue of $3.5 billion; operating income of $1.5 billion

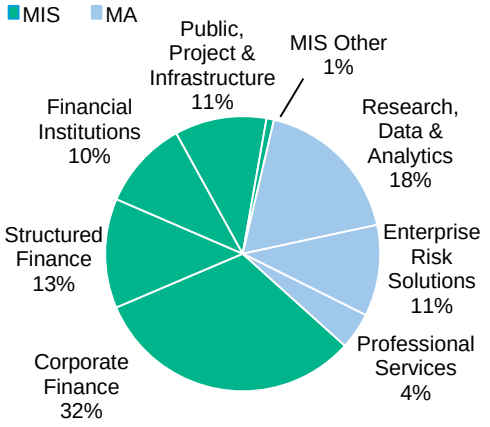
Moody's Investors Service

- Independent provider of credit rating opinions and related information for over 100 years
- 67% of total MCO revenue
- 84% of total MCO operating income

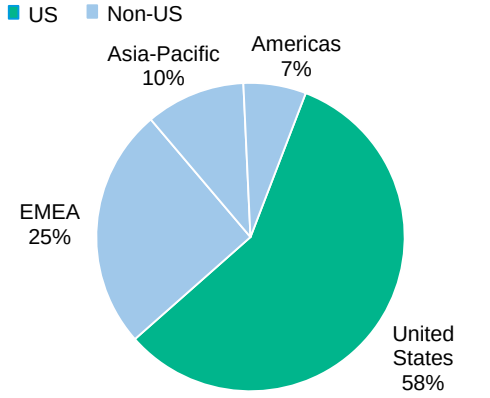
Moody's Analytics

- Research, data and software for financial risk analysis and related professional services
- 33% of total MCO revenue
- 16% of total MCO operating income

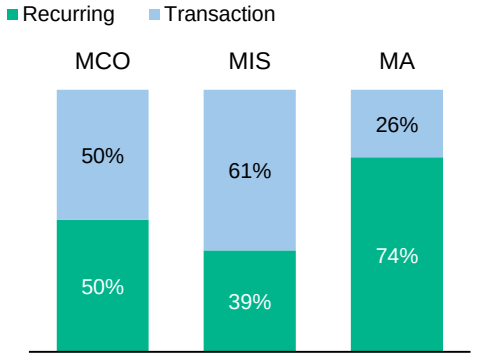
Revenue by Business



Revenue by Geography



Revenue by Type



Note: All figures on this page are for full year 2015

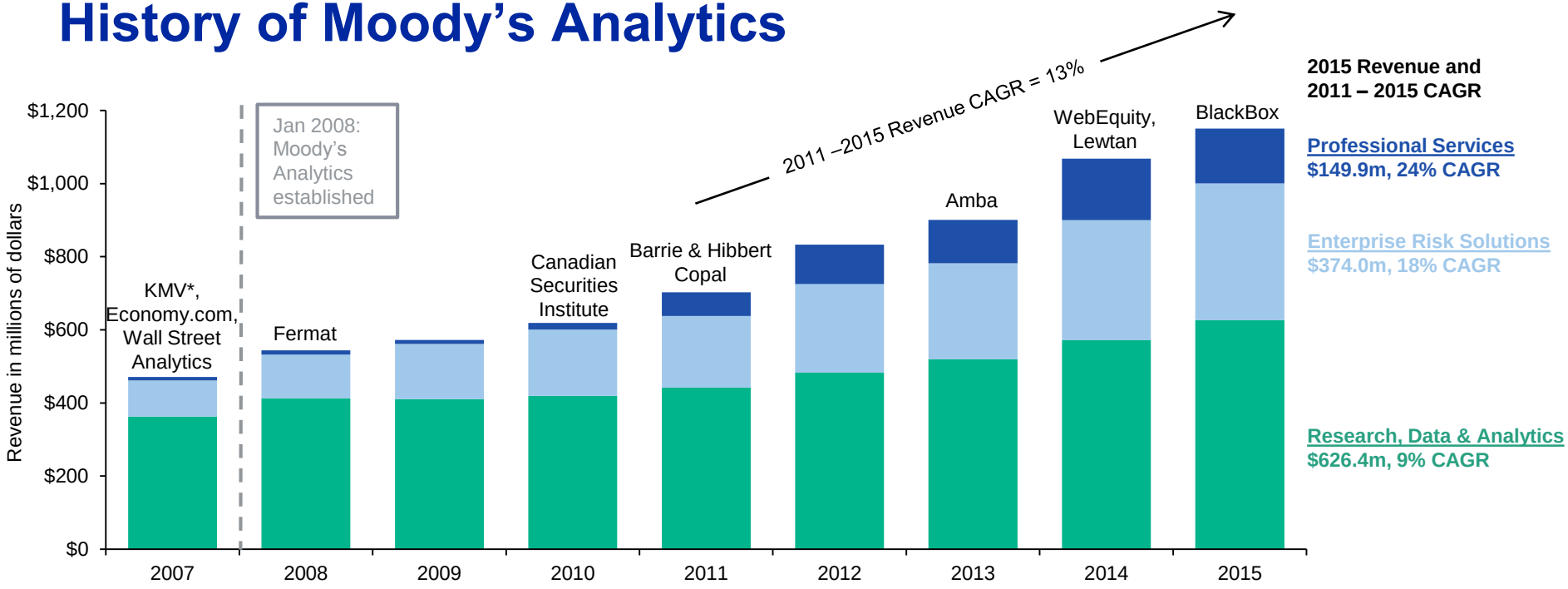
Moody's Analytics Mission Statement

Moody's Analytics helps financial institutions manage risk.

- Provide research, data, models, software, and other tools that enable customers to analyze, measure, and control the risk of their business activities.
  - Offer MIS credit ratings and research, and other metrics and analyses that allow users to assess the risk of their investments and/or counterparties.
  - Provide raw materials or inputs – such as research, data, and analytical models – and services (e.g., training and consulting) that help customers develop their own assessments of risk.

- Primarily, serve distinct but overlapping customer sets:
  - Institutional participants in the debt capital markets (buy-side and sell-side)
  - Commercial bank and Insurance risk managers

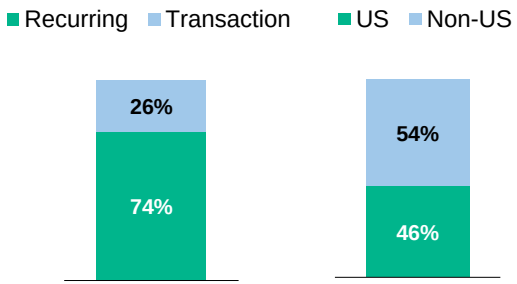
History of Moody's Analytics



*KMV acquired in 2002.

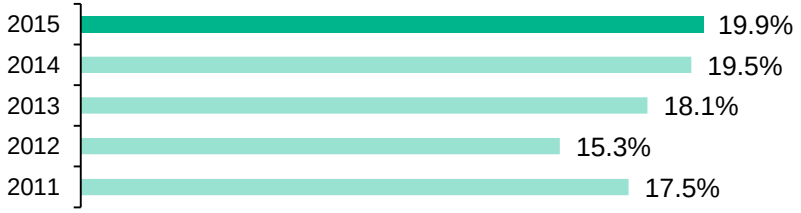
Note: Listed companies above have been acquired by Moody's Analytics in the respective year. In 2016 Moody's Analytics has acquired GGY and made an investment in Finagraph.

Revenue Splits



Operating Margins

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



Note: Transaction / Recurring and US / Non-US splits are based on full year 2015 revenue.

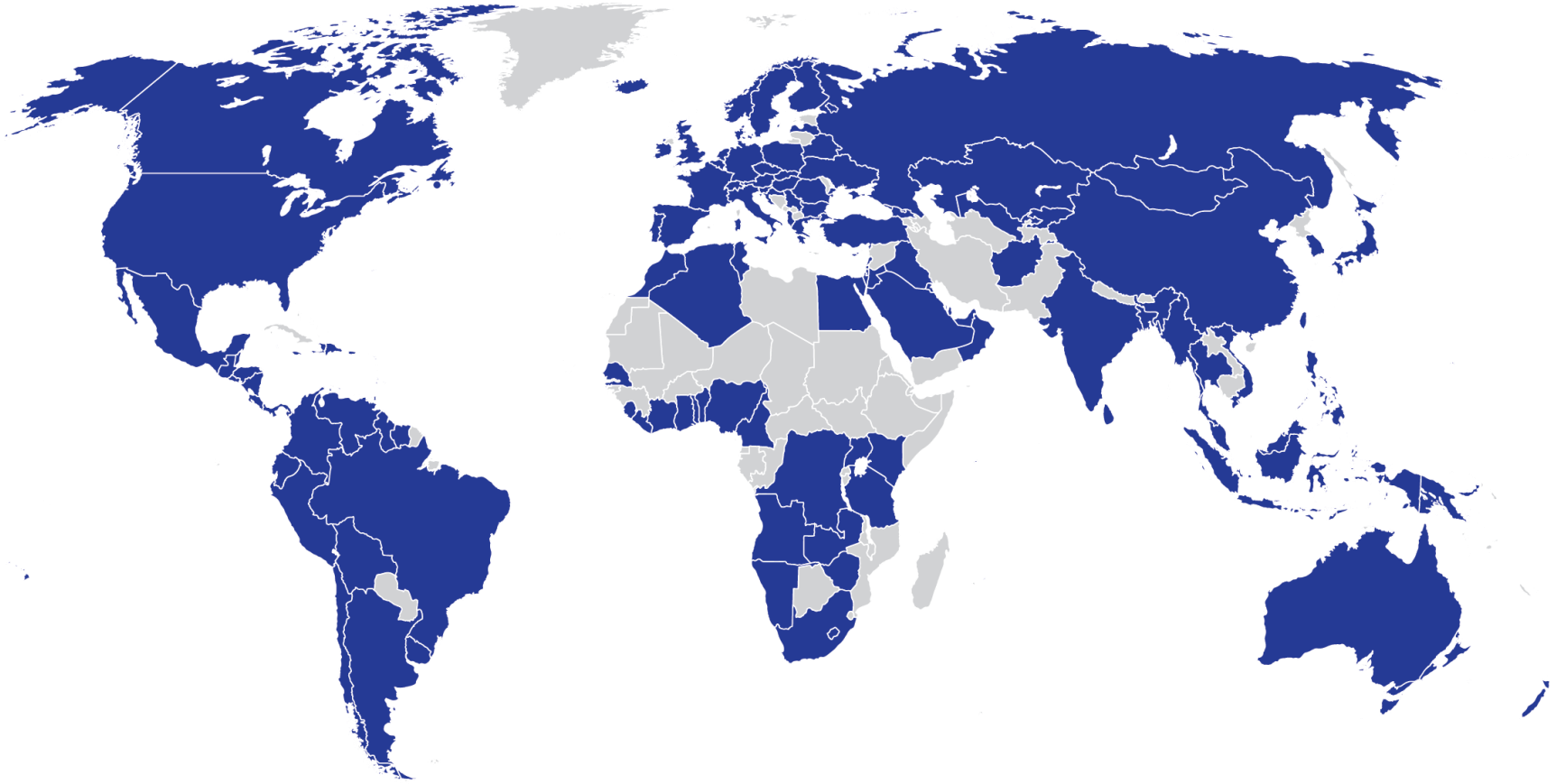
Moody's Analytics is Relevant to Financial Markets at All Stages of Development

» Moody's Analytics enables us to increase our presence in emerging markets, selling products and services before debt capital markets are fully mature

Emerging Markets → **Developed Markets**

Professional Services	Enterprise Risk Solutions	Research, Data and Analytics
» Credit, financial, & securities markets education	» Loan origination workflow	» MIS ratings, research & data
» Professional certification, esp. in Canada (CSC)	» Portfolio analytics	» Quantitative credit metrics (EDFs)
» Copal Amba	» Asset-liability management	» Economic research, data, models
	» Regulatory compliance, esp. capital adequacy (Basel, Solvency II)	» Structured finance analytics & data
	» Stress-testing credit portfolios	
	» Risk advisory projects	

Moody's Analytics Has Strong Penetration Worldwide



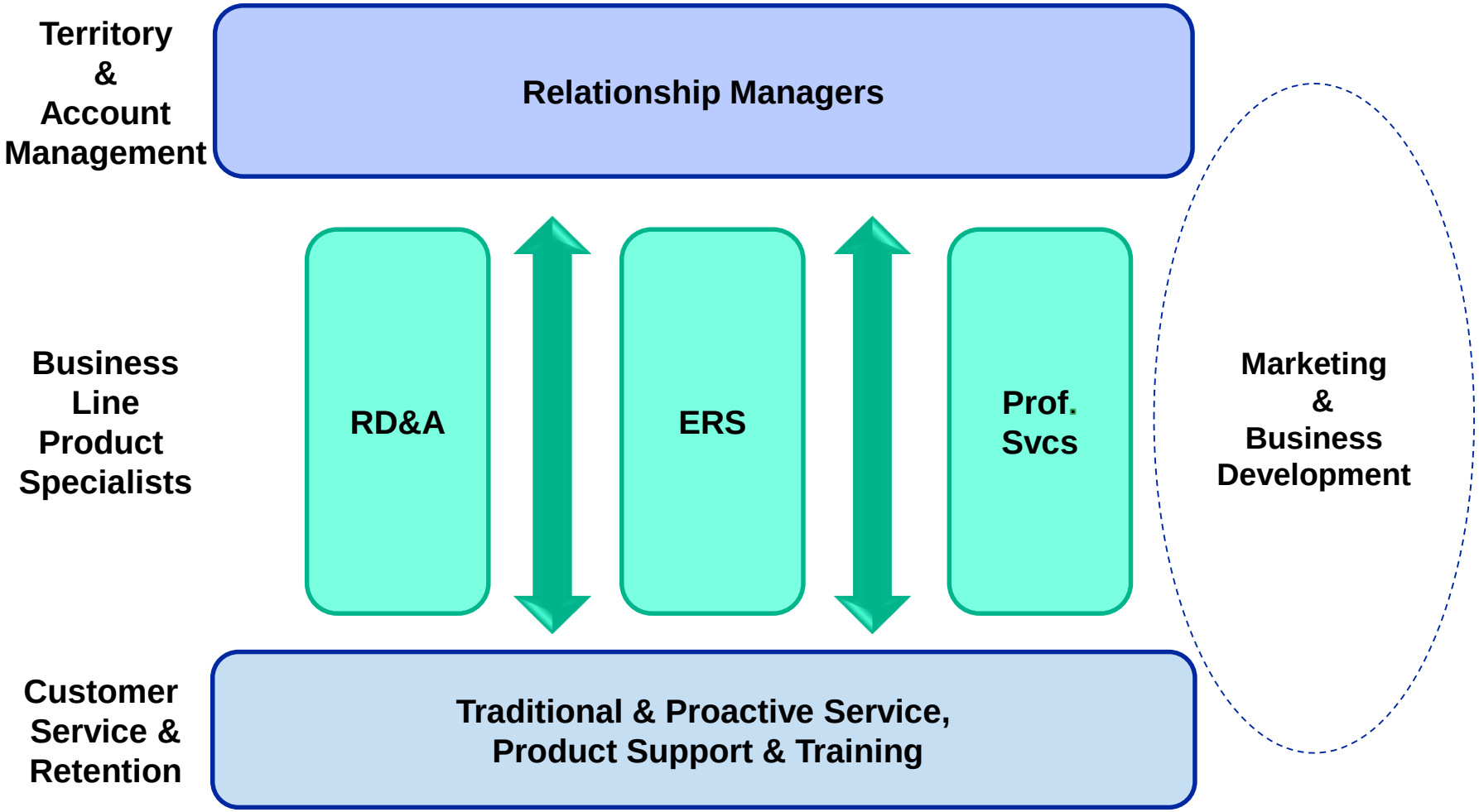
- 4,700 institutional clients worldwide
- Customers in 140 countries (95% of business in top 25 countries)
- Business with 86 of top 100 global banks

Moody's Analytics Opportunity Summary

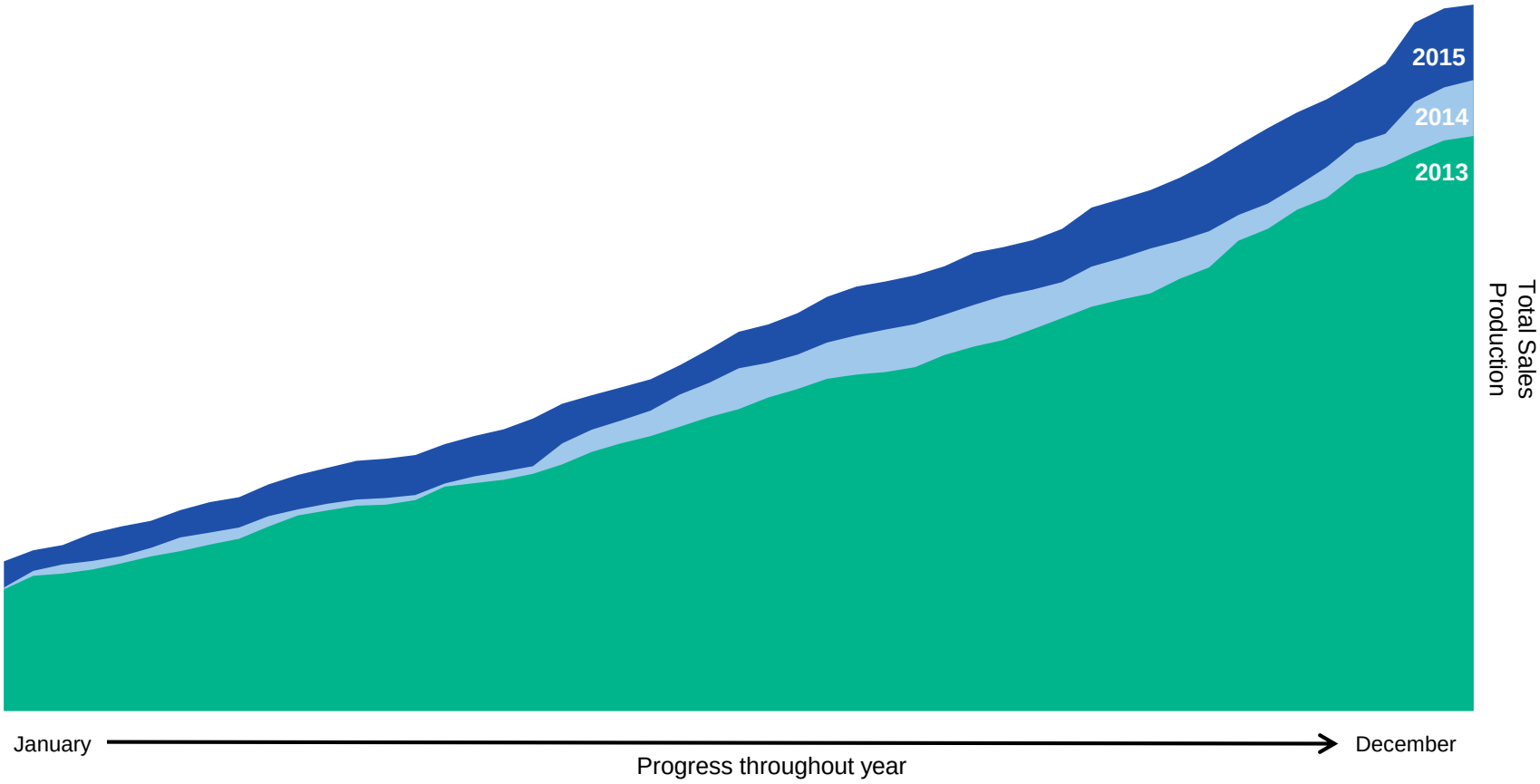
	Research, Data & Analytics	Enterprise Risk Solutions	Professional Services
Value Proposition	» Exclusive distributor of MIS content » Market-leading quantitative credit risk metrics » Application of econometric models to portfolio-specific credit risk management » Library of cash-flow models for MBS & ABS	» Domain expertise in banking, insurance & 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 - Portfolio management - Credit research - Investment banking - Sales and trading desks	» Commercial Banking and Insurance - Loan origination - Financial risk management - Regulatory reporting - Asset-liability management	» Securities Firms and Banks - Investment banking - Sell-side research - Commercial lending - Counterparty credit
Demand Drivers	» Moody's 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, IFRS9) » 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 (mid-90's%) » 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*	» 56% / 44%	» 35% / 65%	» 34% / 66%

* as a percentage of full year 2015 revenue.

Moody's Analytics Sales: Team Selling Drives Customer Focus and Business Line Results

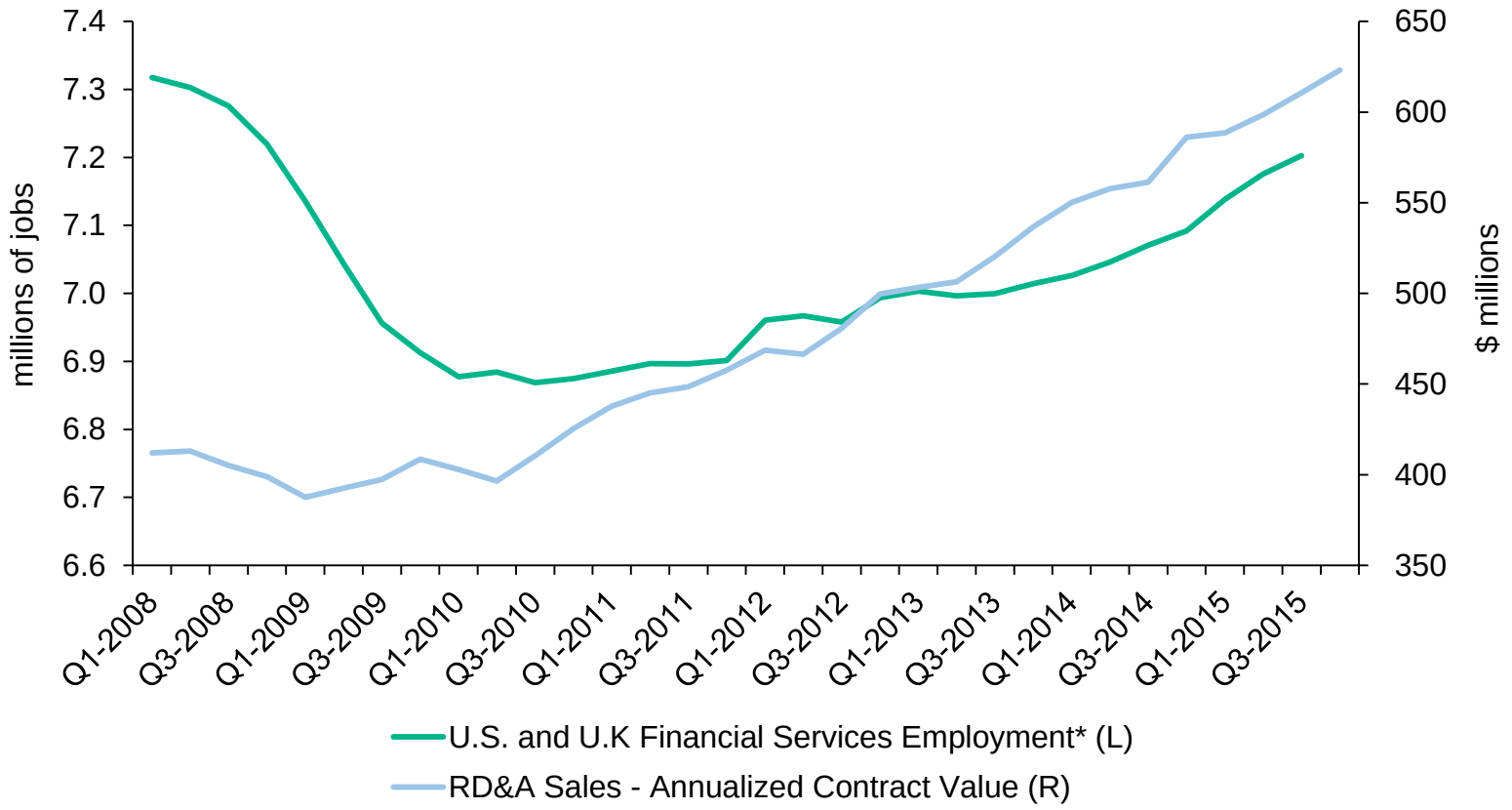


Moody's Analytics Sales: Growth Has Been Strong Over the Past Several Years



*Sales shown in chart on this slide exclude acquired products not integrated into MA pipeline management system (less than 20% of total MA business).

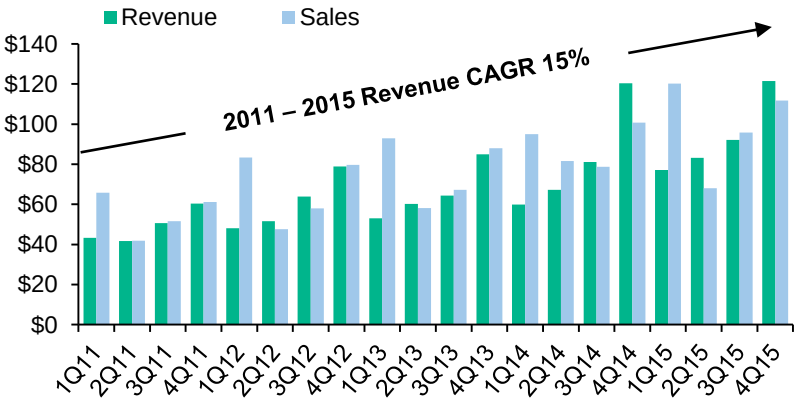
RD&A Pricing Model Limits Exposure to Customer Contraction



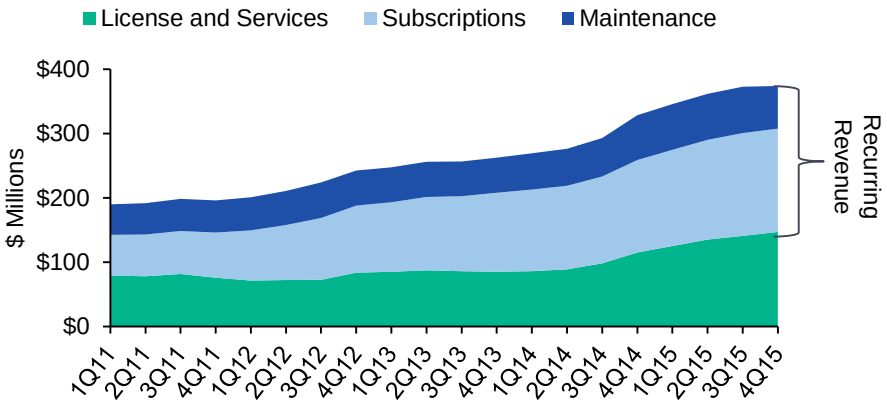
*Source: US Bureau of Labor Statistics and the UK Office for National Statistics. Available data through September 30, 2015.

ERS' Renewable Book Growing, but Revenue Remains Dependent on Project Timing

ERS: Quarterly Revenue and Sales

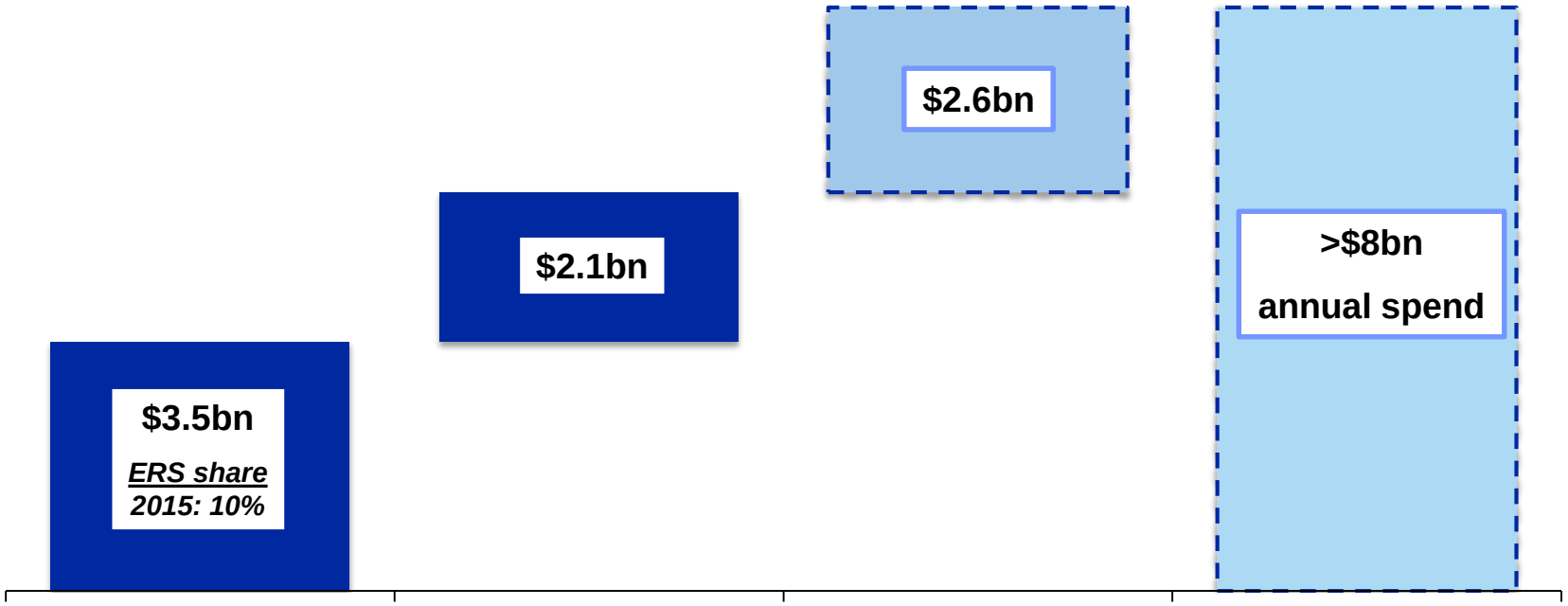


ERS TTM Revenue by Type



- ERS revenue is driven by (1) regulation and accounting standards increasing in complexity; (2) evolution of risk management culture among customers; and (3) customers seeking return on investment and cost efficiencies
- Reminder: While ~2/3 of ERS' revenue base is renewable, results are affected by large projects, the timing of which may impact sales, revenue and margin in any one period

ERS has an Attractive Market Opportunity

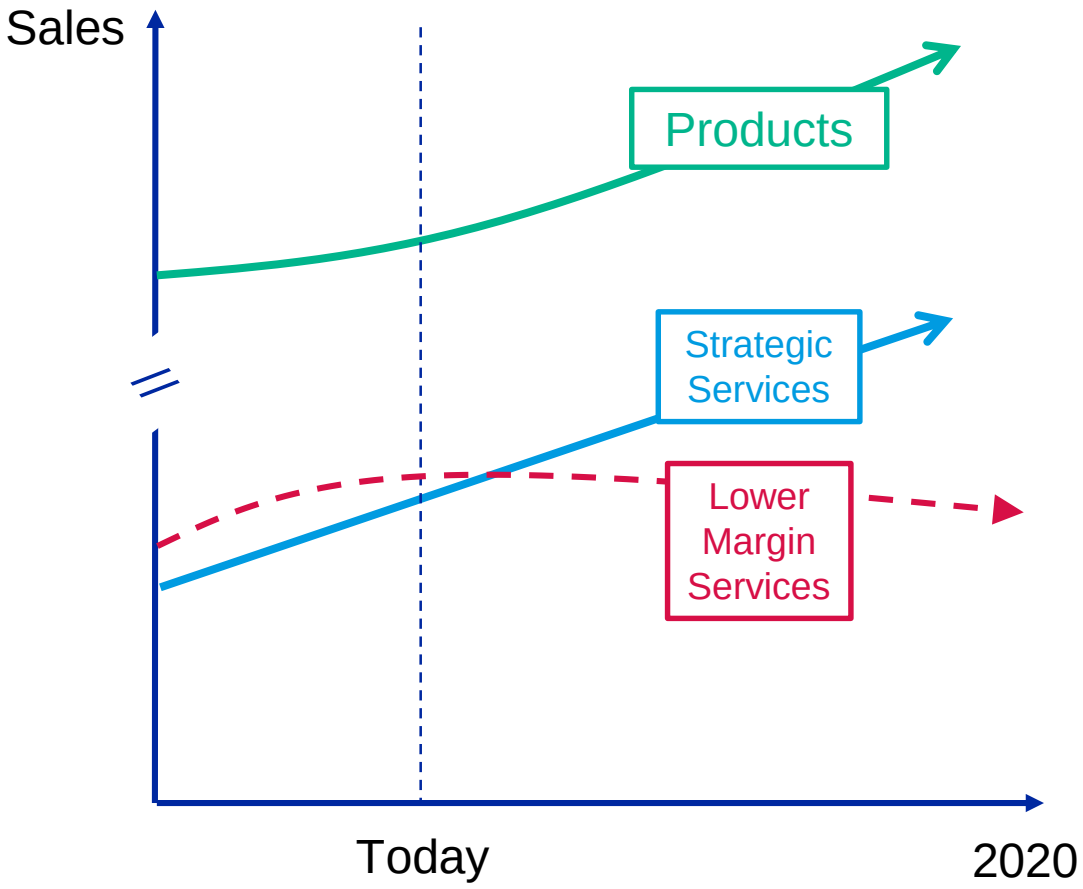


- ~2,100 customers and ~4,300 contracts
- Existing software and analytic tools sold to primarily to larger institutions
- Many market segments with diverse characteristics

- Take expertise to new market segments -- smaller institutions, other credit professionals
- New modules to enhance value proposition

- New market segments where Moody's brand and capabilities offer unique position
- Market opportunities may warrant significant R&D investment
- Potential for acquisitions

For ERS, Less Services and Implementation Work Should Generate Margin Expansion Over Time



- Demand is robust and customer needs are maturing -- operating leverage developing as a result
  - Product features can be shared across multiple institutions -- simplifying projects
- We can be more selective about the deals we do
  - Provide services where we bring unique domain knowledge, not commoditized labor – price points are higher as a result
  - Work on transactions that contribute to innovation and product development
- Product maturity fosters ability to leverage partners

Professional Services Overview

Knowledge process outsourcing

- Leading provider of offshore research and analytic services
- 2,400 employees; 9 delivery centers
- 200+ institutional clients in global financial and corporate sectors

Copal Amba
A Moody's Analytics Company

Certificates, designations & accreditations

- Canada's leading provider of financial services education and designations
- 270+ courses taken by 800,000+ financial professionals
- Endorsed by the Investment Industry Regulatory Organization of Canada (IIROC), Canada's stock exchanges and Canada's securities regulatory commissions

CSI Canadian Securities Institute
Moody's Analytics Training & Certification Services

Financial services training

- Provider of global learning capabilities to banks, asset managers, regulators and non-bank financial institutions
- Multiple delivery channels, including classroom instruction, web classes and e-learning
- Signature Commercial Lending program available in universal and IFRS; translated and localized for several regions

Moody's Analytics

Globally and locally acknowledged for award winning tools to measure and manage risk.

Risk Technology Rankings 2015 WINNER

#1 Enterprise-Wide Credit Risk Management and #1 Economic and Regulatory Risk Capital Calculation

RiskTech 100 2016 Category Winner Enterprise Stress Testing

Winner Enterprise Stress Testing Overall #7 out of 100

InsuranceRisk AWARDS 2015 WINNER

Best Solvency II Software Best Economic Scenario Generation Software

AsiaRisk TECHNOLOGY RANKINGS 2015

#1 Regulatory Capital Calculation and Management and #1 Economic Capital Calculation and Management

2015 FINTECH TOP100 RANKINGS IDC Financial Insights

Recognized as a Top Solution Provider

fin tech FORWARD AMERICAN BANKER + BAI 2015 TOP 100 SOLUTION PROVIDER

Recognized as a Top Solution Provider

Structured products AMERICAS AWARDS 2015 Technology Vendor of the Year – Non-bank

Technology Vendor of the Year, Non-bank

Structured products TECHNOLOGY RANKINGS 2015 RISK MANAGEMENT – REGULATORY/ ECONOMIC CAPITAL CALCULATION

#1 Risk Management Regulatory/Economic Capital Calculation

pulsenomics Pulsenomics LLC

Crystal Ball Award

Awarded for accuracy of US home price forecasts for the 2011 Expectations for 2-Yr Horizon (2013-2014)



MOODY'S ANALYTICS

moodysanalytics.com/awards

Moody's Analytics: Well-Positioned to Drive Growth

- **Strong operating track record**
  - 32 consecutive quarters of year/year revenue growth
  - 11% revenue CAGR since inception of Moody's Analytics
  - 21 quarters of double-digit revenue growth
  - 2015 operating margin of 19.9%
- **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
  - Good penetration of customer base, with plenty of opportunity ahead

Website: http://ir.moodys.com

Email: ir@moodys.com



© 2016 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.
CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") 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. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. 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, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.
MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.
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 or in preparing the Moody's Publications.
To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.
To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.
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.
Moody's Investors Service, Inc., 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 Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. 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 "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."
Additional terms 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 657AFSL 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 investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.
Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.
MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000. MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.