Moody's | Better decisions

UBS Financial Services Virtual Conference

Michael West, President, Moody's Investors Service

August 12, 2020

Disclaimer

Certain statements contained in this release are forward-looking statements and are based on future expectations, plans and prospects for the business and operations of Moody's Corporation (the "Company") that involve a number of risks and uncertainties. Such statements may include, among other words, "believe", "expect", "anticipate", "intend", "plan", "will", "predict", "potential", "continue", "strategy", "aspire", "target", "forecast", "project", "estimate", "should", "could", "may" and similar expressions or words and variations thereof that convey the prospective nature of events or outcomes generally indicative of forward-looking statements. The forward-looking statements and other information in this release are made as of the date hereof and the Company undertakes no obligation (nor does it intend) to publicly supplement, update or revise such statements on a going-forward basis, whether as a result of subsequent developments, changed expectations or otherwise, except as required by applicable law or regulation. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is identifying examples of factors, risks and uncertainties 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 impact of COVID-19 on volatility in the U.S. and world financial markets, on general economic conditions and GDP growth in the U.S. and worldwide, and on the Company's own operations and personnel. Many other factors could cause actual results to differ from Moody's outlook, including credit market disruptions or economic slowdowns, which could 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 regulation, credit quality concerns, changes in interest rates and other volatility in the financial markets such as that due to uncertainty as companies transition away from LIBOR and Brexit; 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 actions affecting credit markets, international trade and economic policy, including those related to tariffs and trade barriers; concerns in the marketplace affecting our 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 Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") and regulations resulting from Dodd-Frank; the potential for increased competition and regulation in the EU and other foreign jurisdictions; exposure to litigation related to Moody's Investors Service'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 Dodd-Frank 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 and the expansion of supervisory remit to include non-EU ratings used for regulatory purposes; the possible loss of key employees; failures or malfunctions of our operations and infrastructure; any vulnerabilities to cyber threats or other cybersecurity concerns; the outcome of any review by controlling tax authorities of the Company's global tax planning initiatives; exposure to potential criminal sanctions or civil remedies if the Company fails to comply with foreign and U.S. laws and regulations that are applicable in the jurisdictions in which the Company operates, including data protection and privacy laws, 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 such 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. These factors, risks and uncertainties as well as other risks and uncertainties that could cause Moody's actual results to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements are currently, or in the future could be, amplified by the COVID-19 outbreak and are described in greater detail under "Risk Factors" in Part I, Item 1A of the Company's annual report on Form 10-K for the year ended December 31, 2019, its quarterly report on Form 10-Q for the quarter ended March 31, 2020, and in other filings made by the Company from time to time with the SEC or in materials incorporated herein or therein. Stockholders and investors are cautioned that the occurrence of any of these factors, risks and uncertainties may cause the Company's actual results to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements, which could have a material and adverse effect on the Company's business, results of operations and financial condition. New factors may emerge from time to time, and it is not possible for the Company to predict new factors, nor can the Company assess the potential effect of any new factors on it.

Company Overview

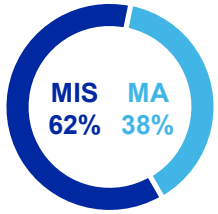
Moody's Investors Service

- Independent provider of credit rating opinions and related information for over 100 years
- Proven ratings accuracy and deeply experienced analysts
- Expanded sales and marketing activities in Commercial group

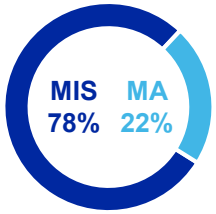
Moody's

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

Revenue of $5.2 billion



Adjusted Operating Income of $2.6 billion



Adjusted Operating Margin

MIS	MA
60.5%	28.2%

Moody's Analytics

- Provides financial intelligence and analytical tools supporting our customers' growth, efficiency and risk management objectives
- Solutions address diverse needs and customers
- Extending brand into new markets and deepening customer relationship

Note: Financial data for the trailing twelve months ended June 30, 2020.

Agency of Choice Strategy Makes us a Market Leader

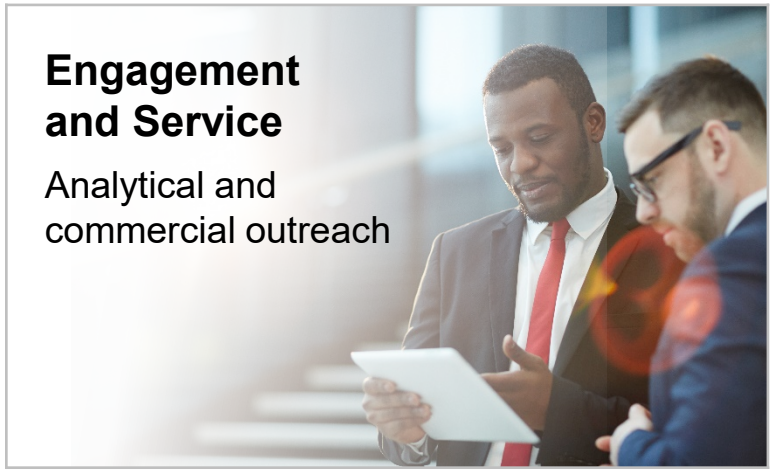
Rating Quality

Proven rating accuracy and deeply experienced analysts



Research and Insight

Focus on research leadership



Engagement and Service

Analytical and commercial outreach

Value Proposition

Expanded sales and marketing activities in Commercial Group

Award-winning

Globally and locally acknowledged for award winning expertise in credit ratings, research and risk analysis.

Institutional Investor 2019 Global Fixed-Income Research Team — #1 Global Credit Rating Agency: 2019
#1 US Credit Rating Agency: 2012-2018

Creditflux CLO Census 2019 Best rating agency — Multi-award winner including best rating agency categories: 2015-2019

SMITH'S 2019 Municipal All-Star Awards — Multi-award winner: 2015-2018

2019 GlobalCapital Bond Awards — Multi-award winner including best rating agency categories: 2015-2019

Asset Asian Awards 2018 Triple A — Multi-award winner: 2015-2018

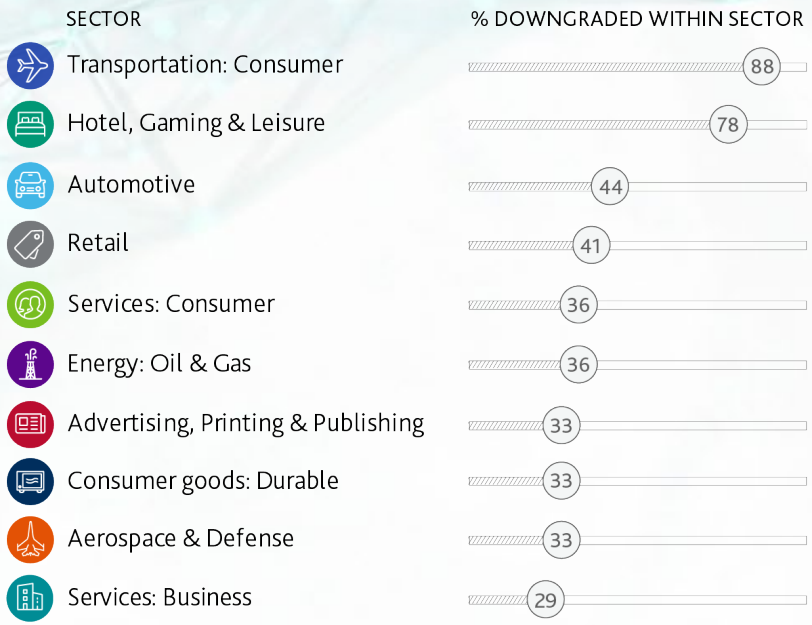
Managing Ratings in Turbulent Times

Transparency and relevance of credit ratings through the cycle

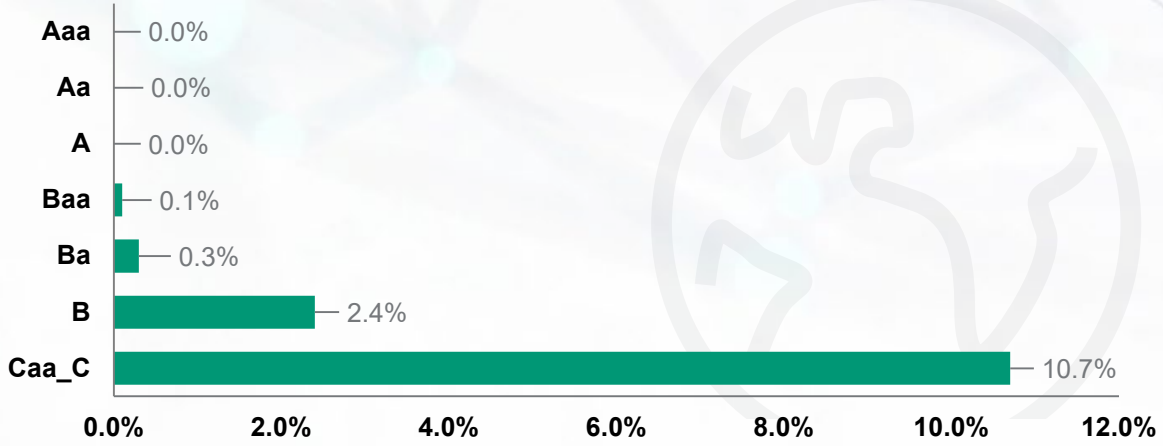
1. Order sectors by degree of exposure
2. Order issuers by vulnerability within each sector
3. Reassess all ratings in the most vulnerable sectors
4. Reassess ratings of the most vulnerable issuers in the moderately vulnerable sectors
5. Monitor credit profiles associated with all other ratings and reassess those with special situations that merit prompt reconsideration
6. Coordinate analytical views and sequencing of rating actions
7. Take account of government policy measures designed to soften the effects of coronavirus

Top 10 sectors most affected by COVID-19[1]

Mar 1 – June 30, 2020

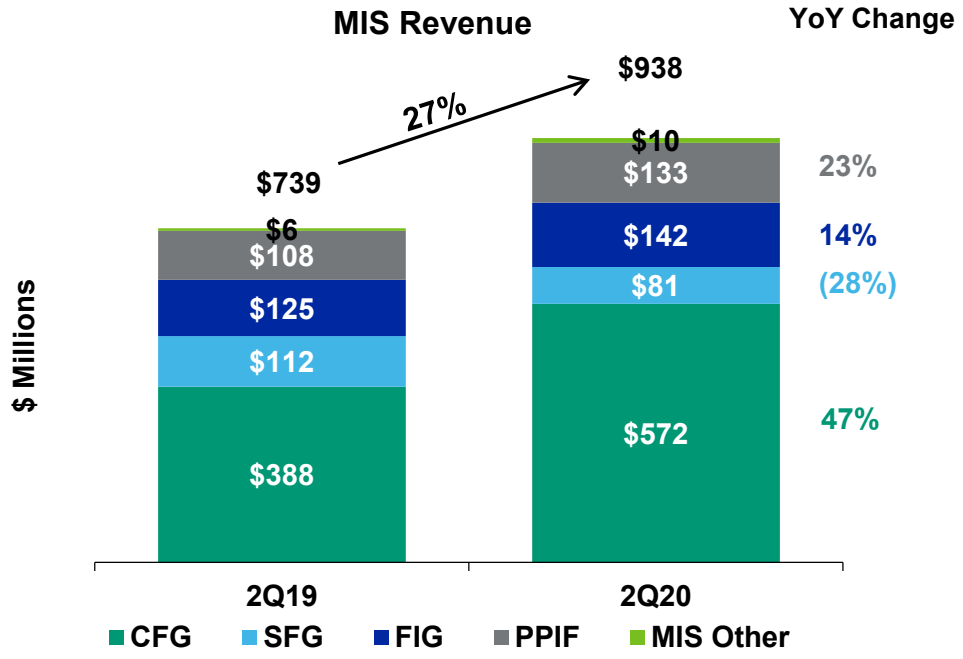


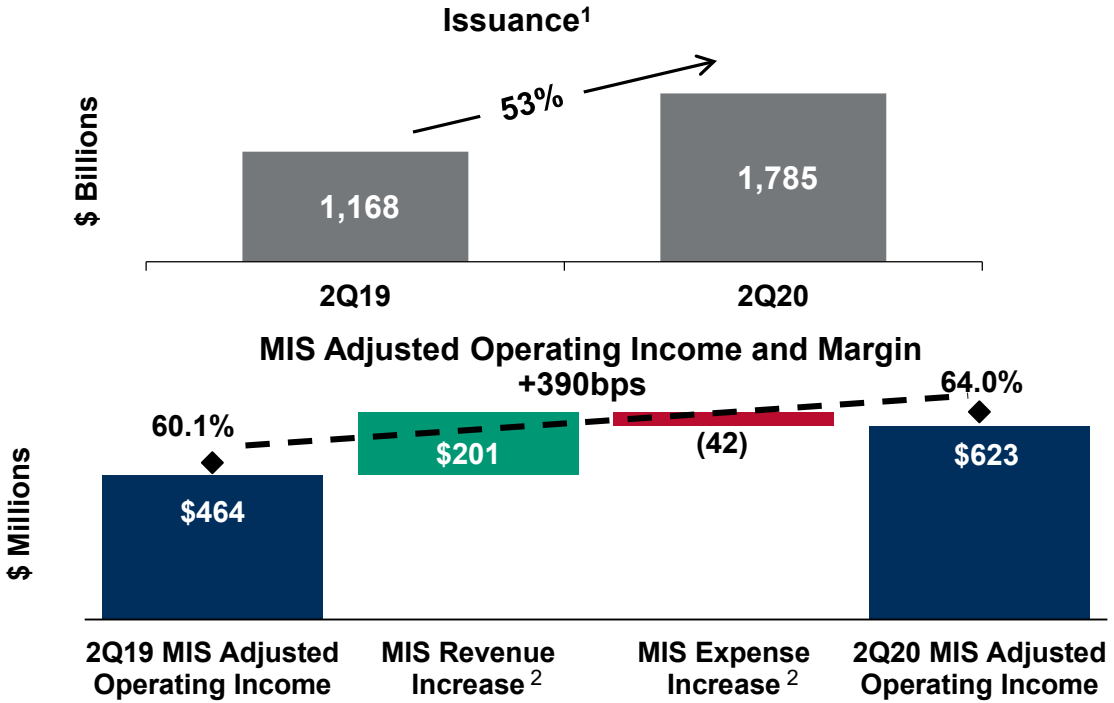
Global corporate default rates ended June 2020[2]



1. Includes all publicly-rated nonfinancial corporate entities; excludes subsidiaries and project finance-related corporations.
2. Trailing twelve months; Source: Moody's Investors Service.

MIS: Robust IG Issuance Drove Results

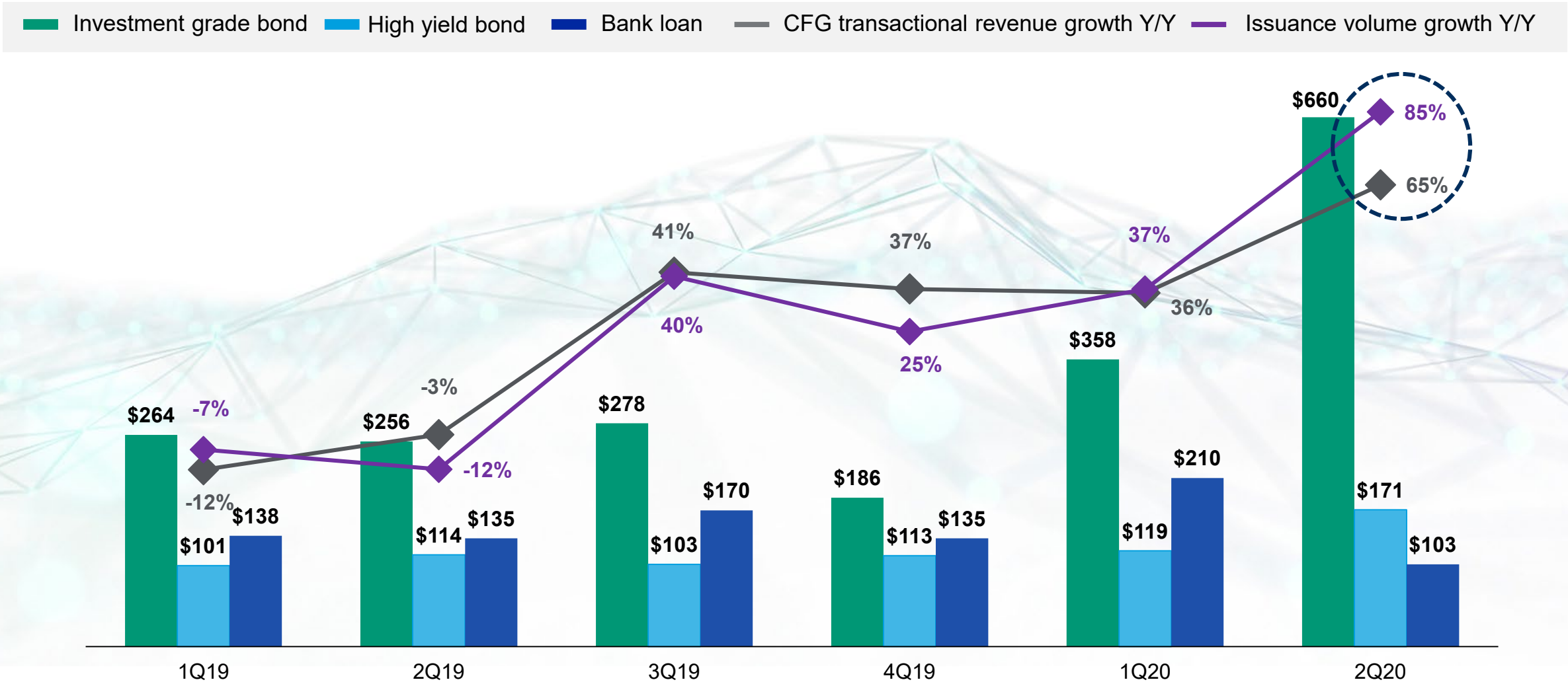




- CFG benefitted from liquidity-driven issuance and attractive refinancing rates, leading to record supply in 2Q 2020
- SFG remains weak: lack of asset supply constraining CLO and CMBS formation
- PPIF issuance was very strong, but contributed to the less favorable issuance mix in the quarter
- Revenue growth outpaced personnel expense to drive 390 bps increase in adjusted operating margin

1. MIS rated issuance, excludes sovereign debt issuance.
2. Includes intercompany revenue and expenses.

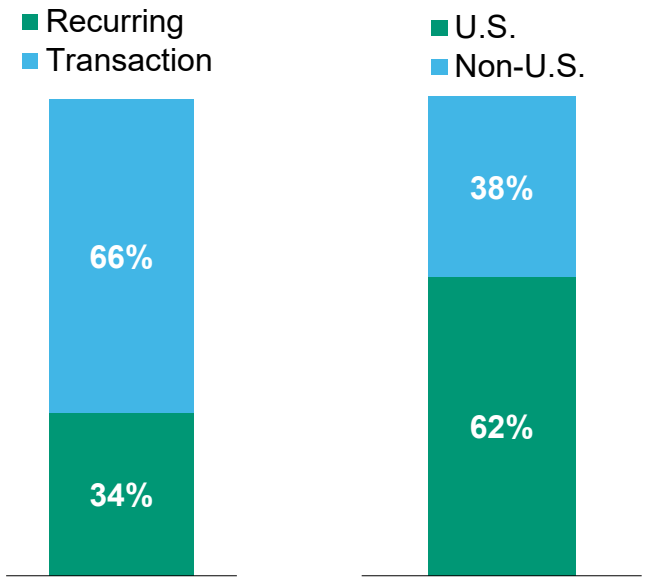
Record 2Q 2020 Issuance, Mix Shift

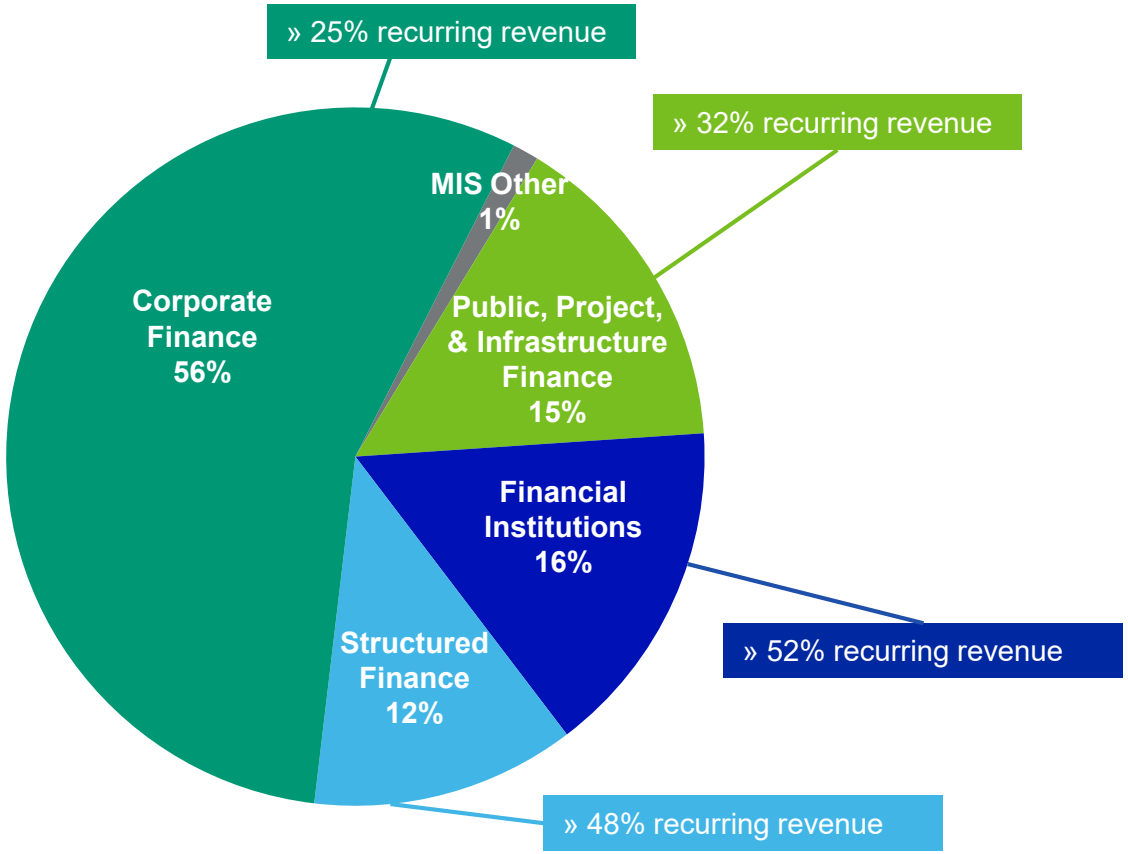


Note: MIS rated issuance. Issuance figures displayed in billions.

Moody's Investors Service Financial Profile

2Q 2020 TTM Revenue: $3.2 billion

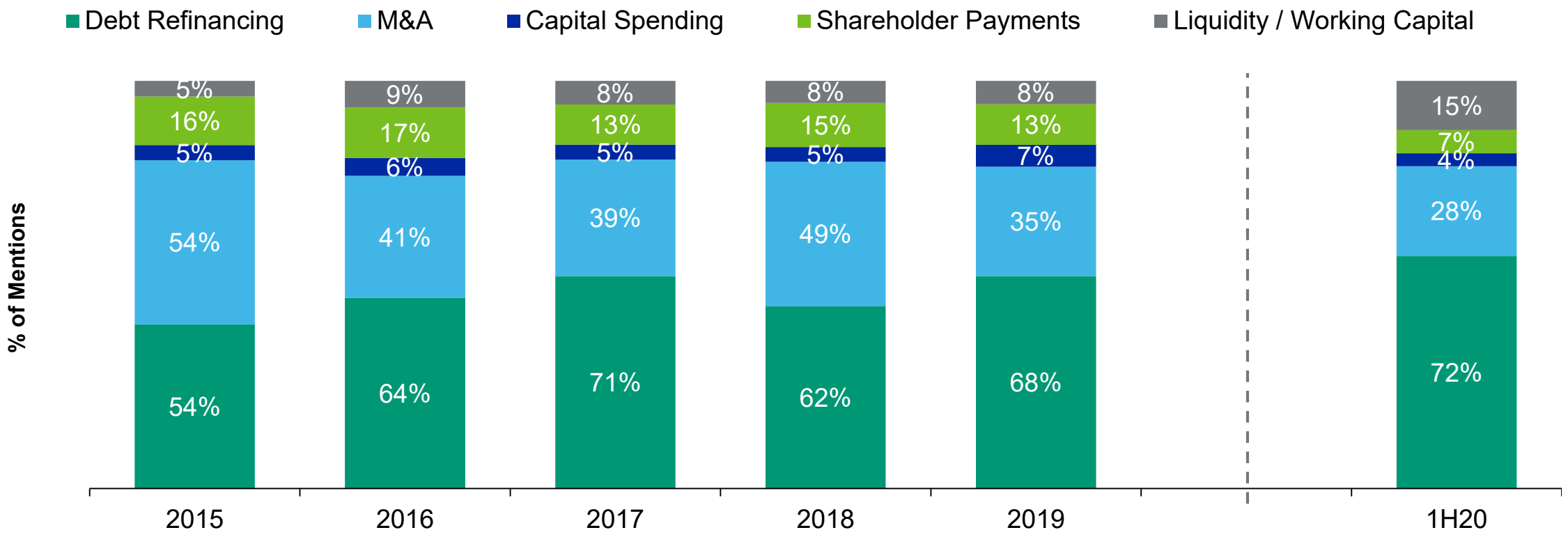




Note: The revenue reclassification of REITs to Corporate Finance from Structured Finance is reflected in the full year 2019 calculations. Percentages have been rounded and may not total to 100%.

Liquidity and Refinancing Prominent Drivers of Issuance in 1H 2020, While M&A Declined

Uses of Funds from USD High Yield Bonds and Bank Loans[1]

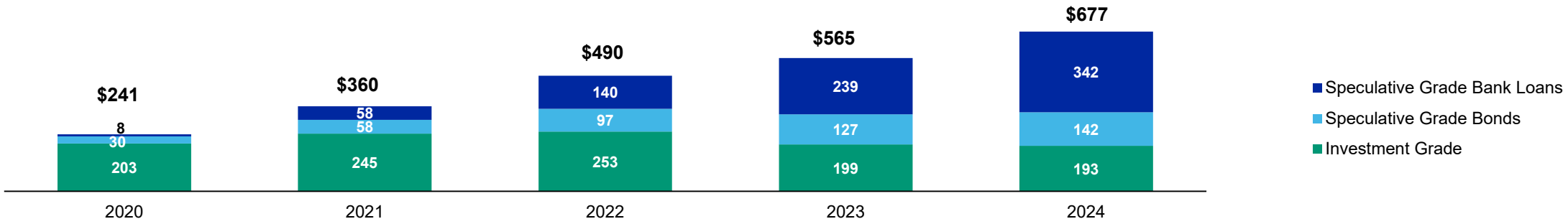


1. Percent of mentions for each respective period in bond issue or bank loan program tranche documents. Excludes issues of less than $25 million and general corporate purposes. An issue can have multiple purposes and, as a result, percentages do not sum to 100%.

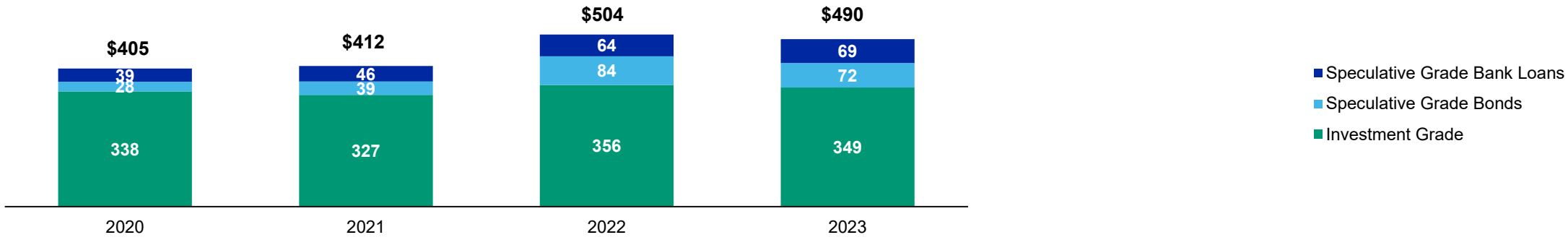
Source: Moody's Analytics.

Refunding Needs[1] Support MIS Long-term Fundamentals

>$2.3 Trillion in Debt Maturities: North America Moody's-Rated Corporate Bonds and Loans[2]



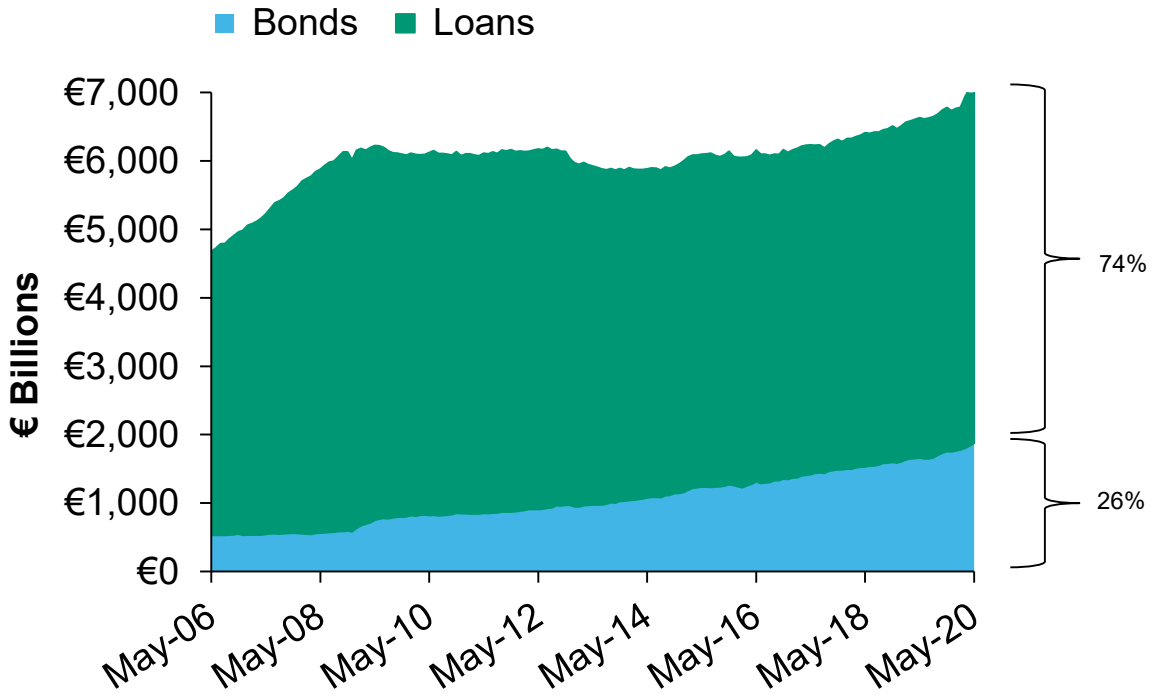
>$1.8 Trillion in Debt Maturities: EMEA Moody's-Rated Corporate Bonds and Loans[3]



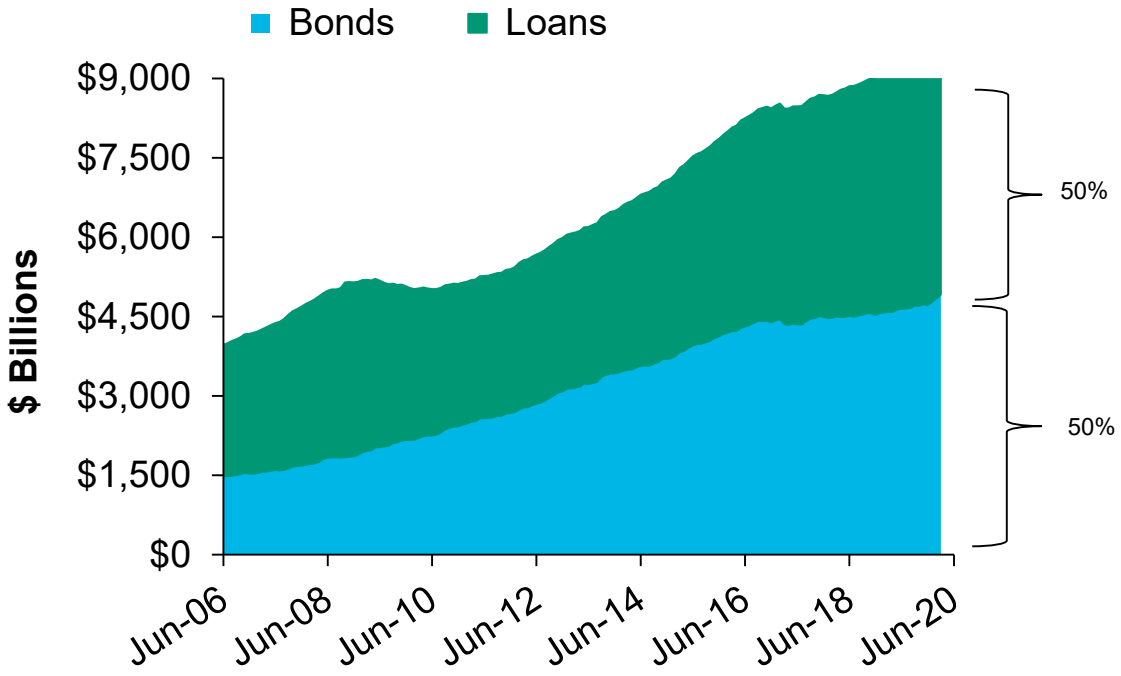
1. Non-financial corporates.
2. Source: Moody's Investors Service, January 2020. Data represents U.S. & Canadian MIS rated corporate bonds & loans.
3. Source: Moody's Investors Service, July 2019.

Disintermediation of Credit is an Ongoing Trend in the Global Capital Markets

European Non-Financial Corporate Bonds vs. Bank Loans Outstanding



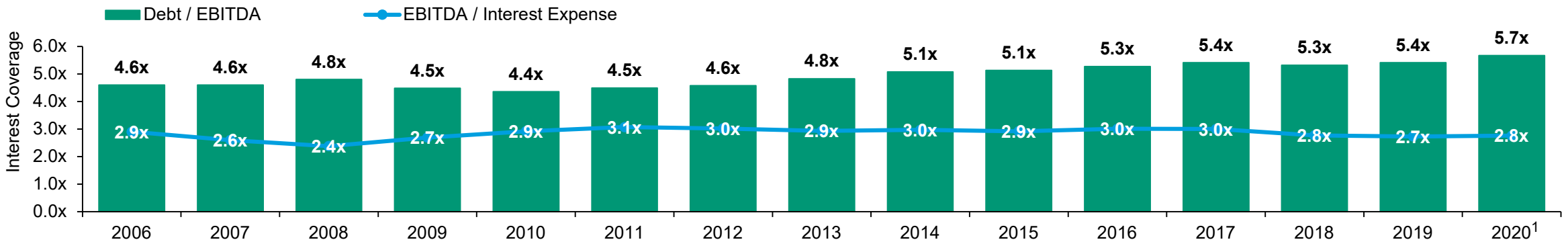
U.S. Non-Financial Corporate Bonds vs. Bank Loans Outstanding



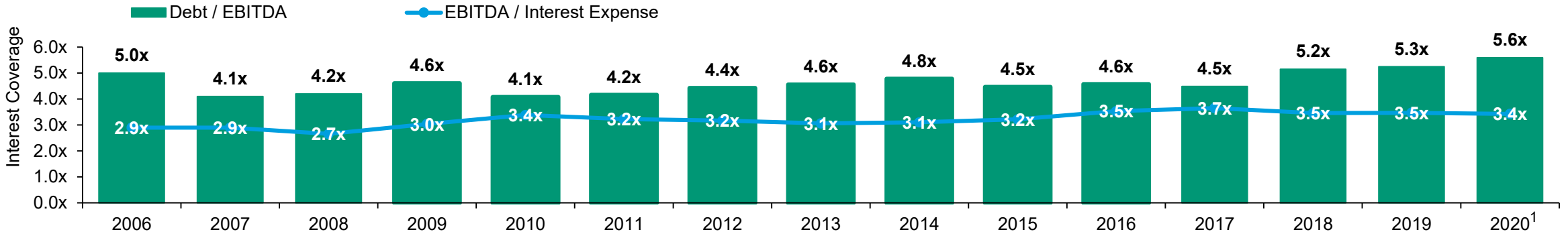
Sources: ECB, Federal Reserve, BarCap Indices. Europe bank loan data includes Eurozone and UK bank loans. Europe bond data includes euro and sterling denominated bonds. European data is through May 2020 and U.S. data is through June 2020.

Debt Leverage and Interest Coverage in North America and Europe

Credit Metrics: North American Speculative Grade Companies



Credit Metrics: European Speculative Grade Companies



1. Trailing twelve months ended June 30, 2020.

Source: Moody's Investors Service.

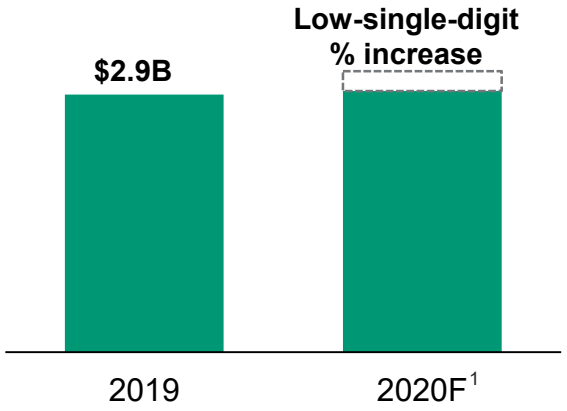
Note: Historical figures may change due to timing differences in issuer reporting deadlines.

MIS Guidance: Strong 1H 2020 Driving Improved Outlook[1]

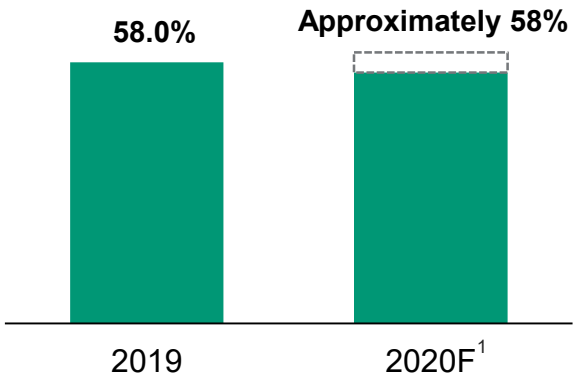
FY 2020 Issuance Guidance[1]

Investment Grade	**+50%**
High Yield Bonds	**+5%**
Bank Loans	**-20%**
Structured	**-40%**
Total Issuance[2]	**Low-double-digit % increase**

Revenue



Adjusted Operating Margin[1]



Key drivers of MIS FY 2020 outlook[1]

- Issuance[2] expected to grow in the low-double-digit percent range from $4.6T in 2019
  - Expecting issuance to slow down in 2H 2020, reflecting a mid-teens decline
- Shift in issuance mix
- Approximately 550 first time mandates
- Refinancing and liquidity driven issuance, reduced M&A activity
- Recurring revenue provides stable support
- Higher expectation for incentive compensation, though still lower year-over-year

1. Guidance as of July 30, 2020. Refer to Table 12 – "2020 Outlook" in the press release for a complete list of guidance and a reconciliation between adjusted measures to GAAP as well as assumptions used by the Company with respect to its guidance.
2. MIS rated issuance. Total issuance includes CFG, SFG, FIG and PPIF. Excludes sovereign debt.

Harnessing Technologies to Drive Operating Efficiencies and Value

Infusing technologies into our processes

- Production
- Surveillance
- Distribution
- Interaction

Innovation with purpose

Insourcing and investing in tech and operations talent



Operational process improvement incubator



New York and Charlotte engineering centers

- Data and advanced analytical tools
- Machine learning and predictive analytics
- Natural language processing and generation
- Robotic process automation
- DevOps and cloud engineering

Delivering value to the market

- Rating precision
- Speed to market
- Improved data and analytics
- Enhanced digital capabilities
- Interactivity

Broad Coverage Serves Global Needs

$70+ trillion
of Total Rated Debt

- **4,800** Rated Non-Financial Corporates
- **3,500** Rated Financial Institutions
- **145** Rated Sovereigns*
- **47** Rated Supranational Institutions*
- **465** Rated Sub-Sovereigns*
- **16,400** Rated Public Finance Issuers
- **9,500** Rated Structured Finance Deals
- **1,000** Rated Infrastructure & Project Finance Issuers
- **235** Rating Methodologies*

11,100 MCO employees
1,000+ Analysts
40 Countries/Regions*



Americas	EMEA	Asia Pacific
29,600+ Rated Companies and Structured Deals	**4,700+** Rated Companies and Structured Deals	**2,200+** Rated Companies and Structured Deals
$35.1+ trillion Total Debt Rated	**$20.3+ trillion** Total Debt Rated	**$12.8+ trillion** Total Debt Rated
16,800 Research Publications	**6,700** Research Publications	**4,100** Research Publications

MOODY'S INVESTORS SERVICE OFFICES

Americas	EMEA		Asia Pacific	
United States	Cyprus	Russia	Australia	Japan
Canada	Czech Rep.	Saudi Arabia	China	Korea
Argentina	DIFC	South Africa	Hong Kong	Singapore
Brazil	France	Spain	India	
Mexico	Germany	Sweden		
	Italy	UK		
	Poland			

EVENTS

119,000+ Global Participants
670+ Global Events, including:
- Conferences
- Teleconferences
- Roundtables

PUBLICATIONS

+40,000 Research Publications
- **25,000** Issuer Research
- **3,000** Sector Research
- **14,000** Other Research

Late cycle reports highlighted corporate credit stress prior to COVID-19

- **25 MAY 2019** Increase in B3s heightens market's vulnerability to a new default cycle — VIEW REPORT
- **05 SEP 2019** Current weak credit quality could fuel Caa issuers' defaults in next downturn — VIEW REPORT
- **09 SEP 2019** As low-rated spec-grade universe expands, more rated companies will likely default or be downgraded in the next downturn — VIEW REPORT
- **09 SEP 2019** Global CLOs – in a severe downturn scenario, credit quality declines significantly, impairing junior tranches — VIEW REPORT
- **29 OCT 2019** Loan and bond convergence: investors pave way for lower recoveries in next downturn — VIEW REPORT
- **13 NOV 2019** The top 10 ways loan investors are forfeiting protections — VIEW REPORT

Moody's Investors Service has been globally and locally acknowledged for award-winning expertise in credit ratings, research and risk analysis. For more information, visit awards.moodys.io

Source of all data: Moody's Investors Service, Inc.
Data as of 10 January 2020; Research and Events Data for the period January 2019 - December 2019.
All numbers are rounded other than those marked *

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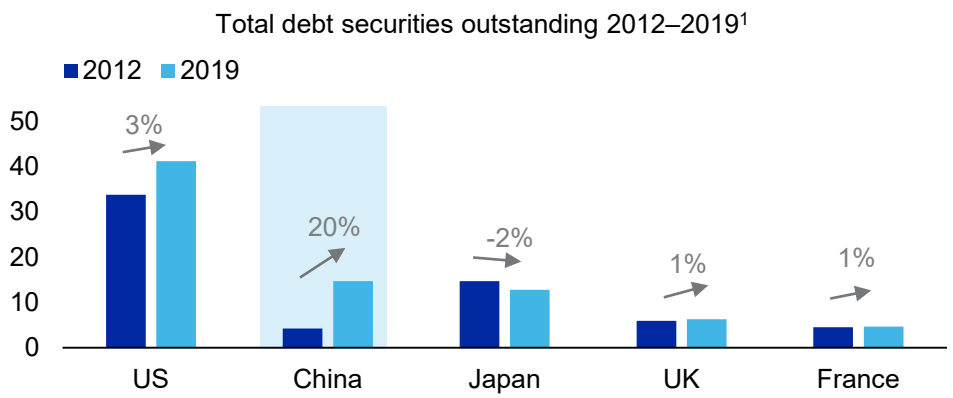
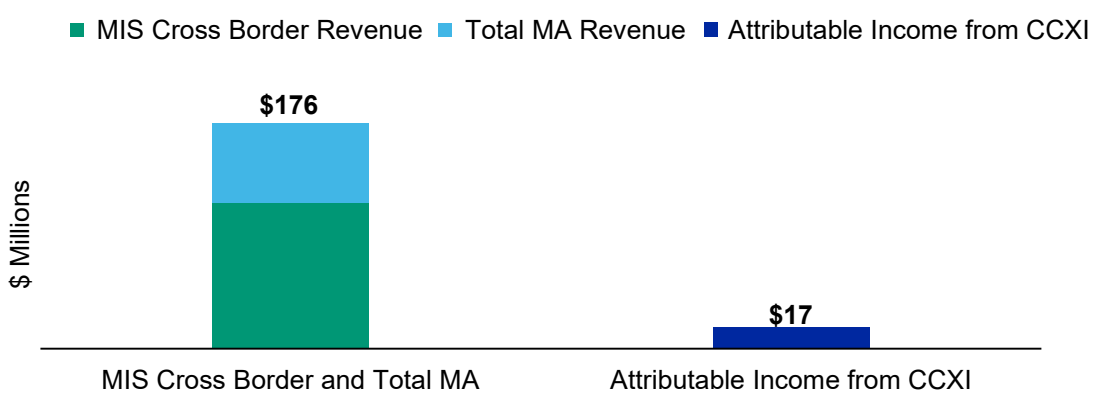
MIS / BX910

Moody's in Greater China

2nd Largest Onshore Bond Market at $15 Trillion

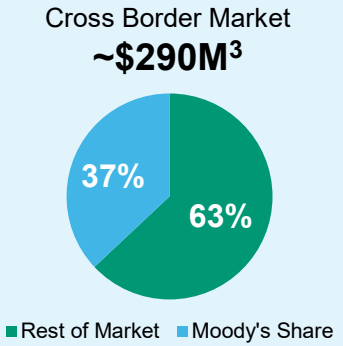


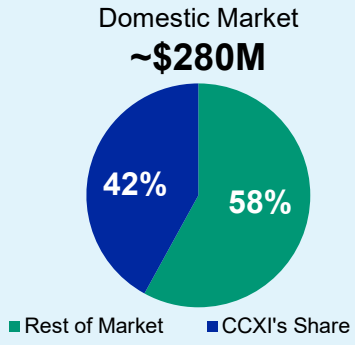
2019 Revenue and Attributable Income from China[2]



Estimated China Ratings Market Size: Domestic and Cross Border[3]

- **Moody's participates directly** in the cross border China issuance market through MIS **and in the domestic market** through a 30% interest in CCXI
- **Long-term growth prospects** enabled by **participation** in the ongoing **development** of **China's domestic credit markets**
- **Continuing to foster constructive relationships** and partnerships with issuers, regulators and other market participants



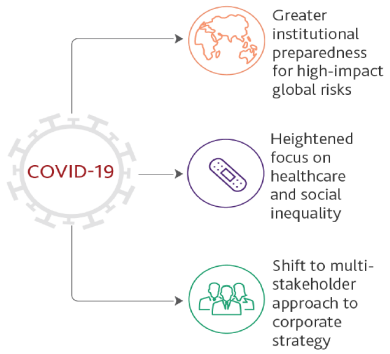


1. Percentage growth numbers are rounded compound annual growth calculations. Source: Bank for International Settlements' latest data available as of 4Q19.
2. Greater China: Mainland, Hong Kong and Macau.
3. Revenue as of full year 2019; USD 1 = RMB 6.92 RMB exchange rate as of December 31, 2019 is used for conversion for domestic CRAs' estimated revenue. Note: These are high level estimates based on MIS & CCXI full year 2019 revenue/market coverage in domestic market; in cross border, market share is coverage/sum of coverage for three major CRAs.

Moody's ESG: Driving Standards Beyond Credit

Market Trends

- Moody's forecasts global green, social and sustainability bond issuance to be $275 to $325 billion in 2020[1]
- Coronavirus crisis expected to accelerate credit-relevant ESG trends with increased impact to credit[2]



Moody's ESG Solutions

- ESG & Climate Measures
- Sustainable Finance Solutions
- ESG in Credit Ratings and Research
- ESG in Risk Management Solutions

Key Stats[2]

38,000+
Credit ratings
ESG assessments integrated into Moody's Investors Services (MIS) credit ratings

5,000+
ESG assessments
Covering 266 unique ESG data points

6,000+
Climate risk scores
Spanning countries, counties, cities, companies & real estate assets globally

250+ Global
Sustainable bonds
Green, Social, Sustainability Bonds and Sustainability-linked loans and bonds

30+
Years of ESG experience
Our affiliate Vigeo Eiris has been a pioneer in ESG analysis since the 1990s

1000+
MIS research reports
Related to ESG considerations in 1H 2020, 70% COVID-related research

25+
ESG related events
Delivered in 1H 2020 through Moody's global event program

OUTREACH

- Over 500 media engagements in 1H 2020 driven by Moody's Events and research
- Strategic relationships with industry organizations and influencers across sustainable finance
- Moody's ESG & Climate Risk hub: A one stop-shop for everything ESG at Moody's (**moodys.com/esg**)

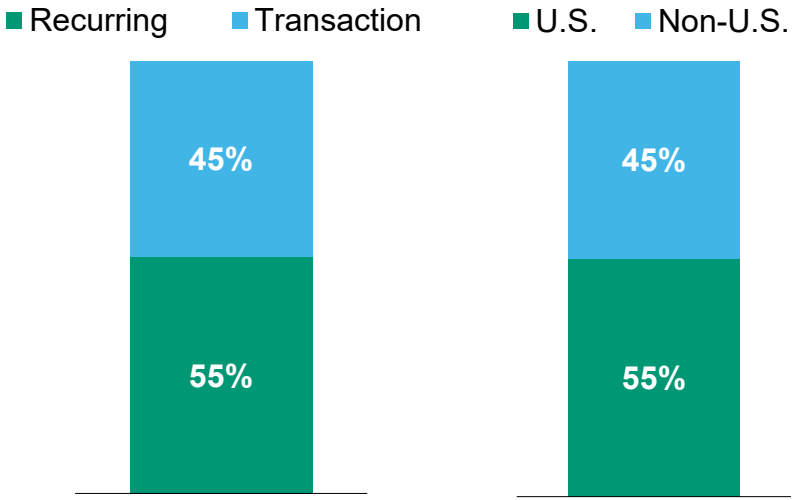


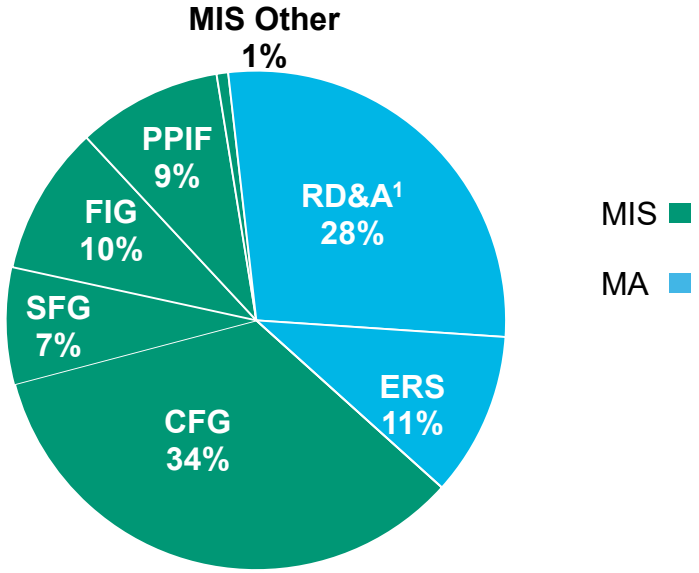
1. Moody's Investors Service "Sector in-depth: Sustainable Finance – Global – Coronavirus fallout dampens 1Q 2020 green bond volumes while spurring social bonds", May 5, 2020.
2. As of June 30, 2020; combined for all Moody's entities including affiliates.

Appendix

Moody's Corporation Financial Profile

2Q 2020 TTM Revenue: $5.2 billion





Full Year 2020 Guidance as of July 30, 2020[2]

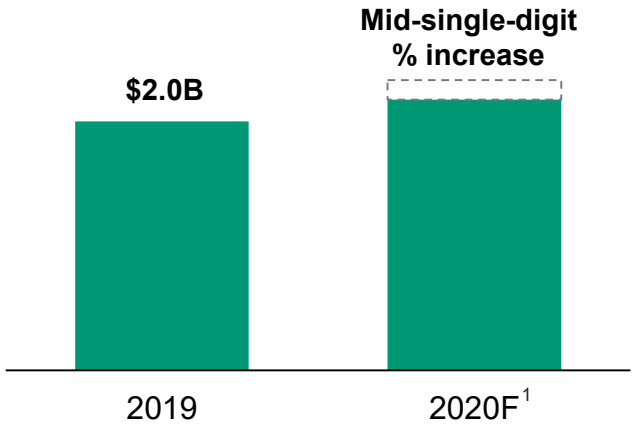
Revenue	» Increase in the low-single-digit % range	Effective Tax Rate	» 19.5% - 21.5%
Operating Expenses	» approximately flat	Diluted EPS	» $8.15 - $8.55
Operating Margin	» 43% - 44%	Adjusted Diluted EPS[3]	» $8.80 - $9.20
Adjusted Operating Margin[3]	» 48% - 49%		

1. Includes trailing twelve months of professional services revenue. Excludes MAKS. Subsequent to the divestiture of MAKS in 2019, revenue from the Moody's Analytics Learning Solutions ("MALS") unit, which previous to 2020 was reported in the Professional Services line of business ("LOB"), will now be reported as part of the RD&A LOB.
2. See press release titled "Moody's Corporation Reports Results for Second Quarter 2020" from July 30, 2020 for Moody's full 2020 guidance.
3. These metrics are adjusted measures. See Appendix for reconciliations from adjusted financial measures to U.S. GAAP.

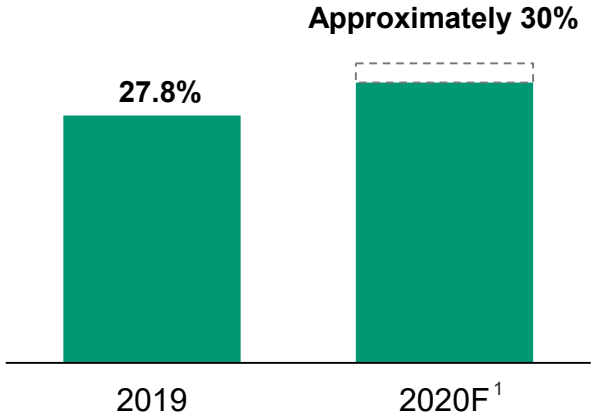
Note: The revenue reclassifications of REITs to Corporate Finance from Structured Finance and the FACT product from RD&A to ERS are reflected in the full year (FY) calculations.

MA Guidance[1]: Top-line Growth and Margin Improvement Remain on Track

Revenue



Adjusted Operating Margin[1]



Key drivers of MA FY 2020 outlook[1]

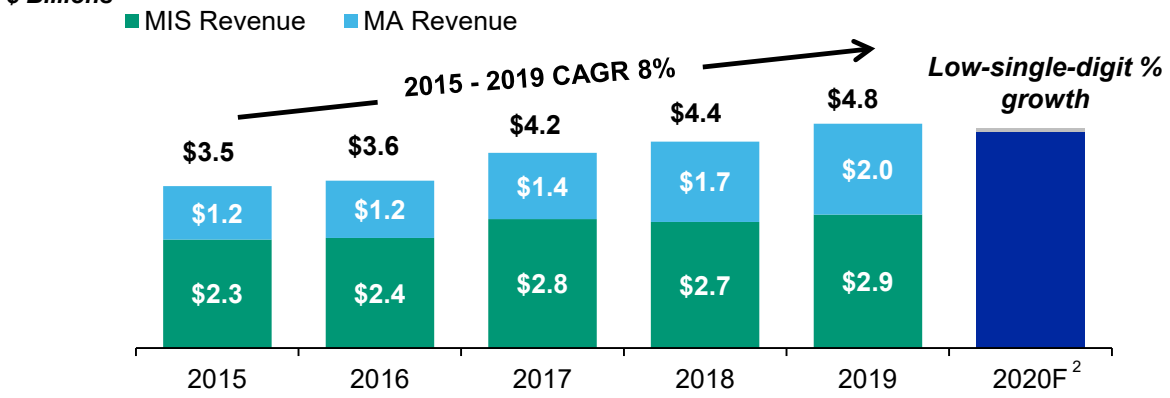
- Strong recurring revenue mitigates COVID-19 impact
- MAKS divestiture weighs on revenue growth, partially offset by RiskFirst, ABS Suite and RDC acquisitions
  - FY revenue guidance includes an unfavorable 2% - 3% impact from inorganic activity and FX
- RD&A growth driven by strong demand for KYC and compliance solutions, followed by research and data feeds
- ERS: Strength in software and analytics sales supports steady growth; modest impact from delays of IFRS 17 and CECL implementations
- Margin improvement primarily driven by operating leverage and cost management initiatives

1. Guidance as of July 30, 2020. Refer to Table 12 – "2020 Outlook" in the press release for a complete list of guidance and a reconciliation between adjusted measures to GAAP as well as assumptions used by the Company with respect to its guidance.

Financial Performance[1]

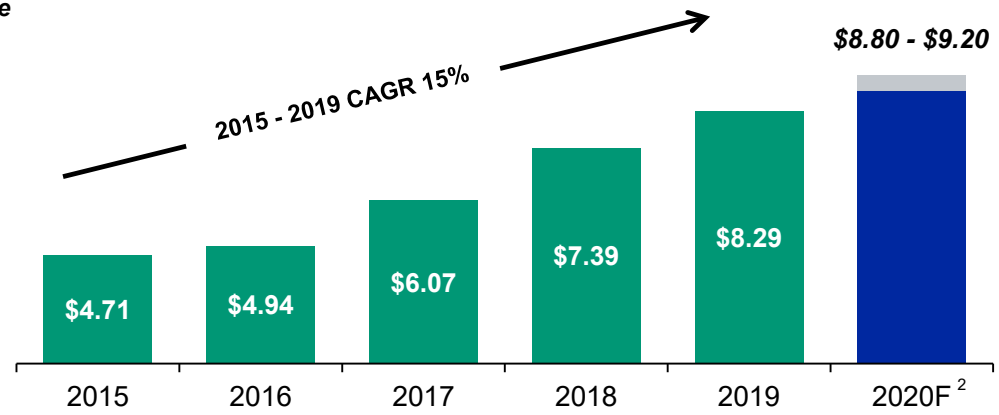
Revenue[1]

$ Billions

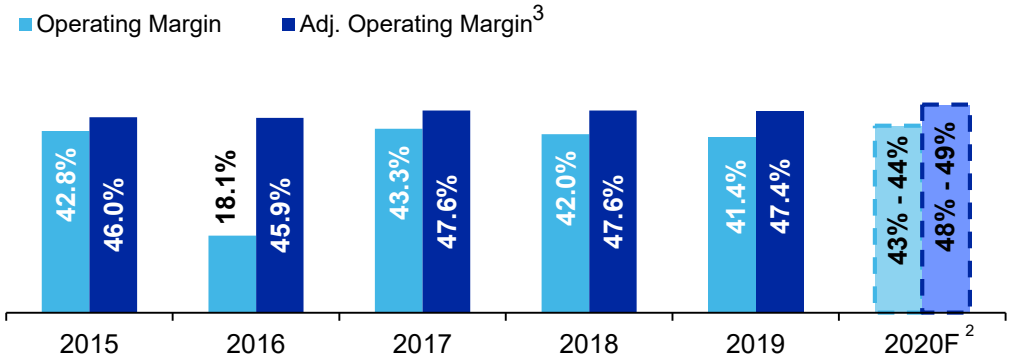


Adjusted Diluted EPS[3]

$ Per Share

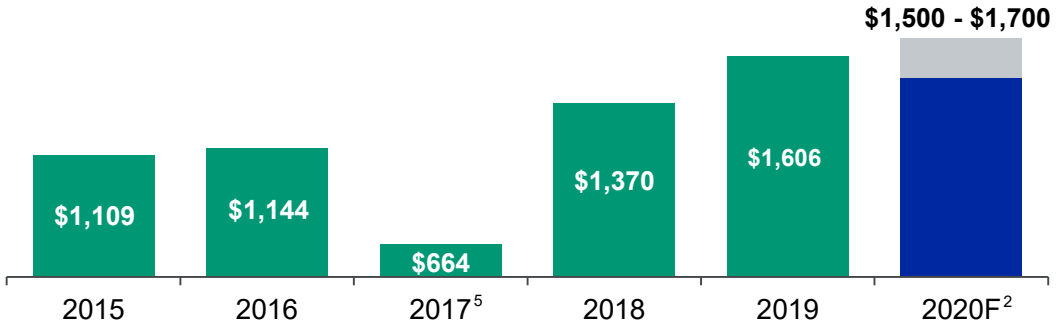


Operating Margin[4]



Free Cash Flow[3]

$ Millions



1. Totals may not sum due to rounding.
2. Guidance as of July 30, 2020.
3. These figures are adjusted measures. See appendix for reconciliations from adjusted financial measures to U.S. GAAP.
4. 2015 – 2017 operating and adjusted operating margins have been restated to conform to the new presentation for pension expenses.
5. Includes approximately $700 million in net payments pursuant to a settlement charge.

Capital Allocation Strategy

Prudent approach in uncertain times

Capital allocation goals



- Anchored around a BBB+ rating
- Ensure adequate financial flexibility
- Provide necessary capital to pursue growth opportunities
- Meet return thresholds and create long-term value for shareholders
- Manage risk

Capital allocation levers

INVESTING IN GROWTH OPPORTUNITIES

- Reinvestment
- Acquisitions

RETURN OF CAPITAL

- Dividends
- Share repurchase

Considerations around share repurchase program

- COVID-19 uncertainty
- Economic indicators
- Market volatility
- Free cash flow

BvD + RDC Makes Us a Leading Global Player in KYC

Improved accuracy and streamlined decisions

- Bureau van Dijk accelerating growth with Moody's. BvD post acquisition **revenue growth**[1] of **~16%** and **adjustment operating margin**[2] of **~52%**
- BvD + RDC creates a leading provider of data for compliance-related use cases
- The KYC space is a **$900M market with ~18% 5-yr CAGR**[3]
- **2019** pro forma combined **compliance product sales of ~$150M**[4]
  - Expect **combined sales to more than double by 2023**[5]
- Complementary assets:
  - RDC's Global Risk Information Database (GRID): over 12 million profiles of risk-related organizations and individuals
  - Worldwide entity and ultimate ownership data from BvD's Orbis database and Compliance Catalyst tool

BvD

375M+
PUBLIC & PRIVATE ENTITIES

195M+
ACTIVE OWNERSHIP LINKS

188M
SHAREHOLDERS

+

RDC

12.5M+
RISK PROFILES

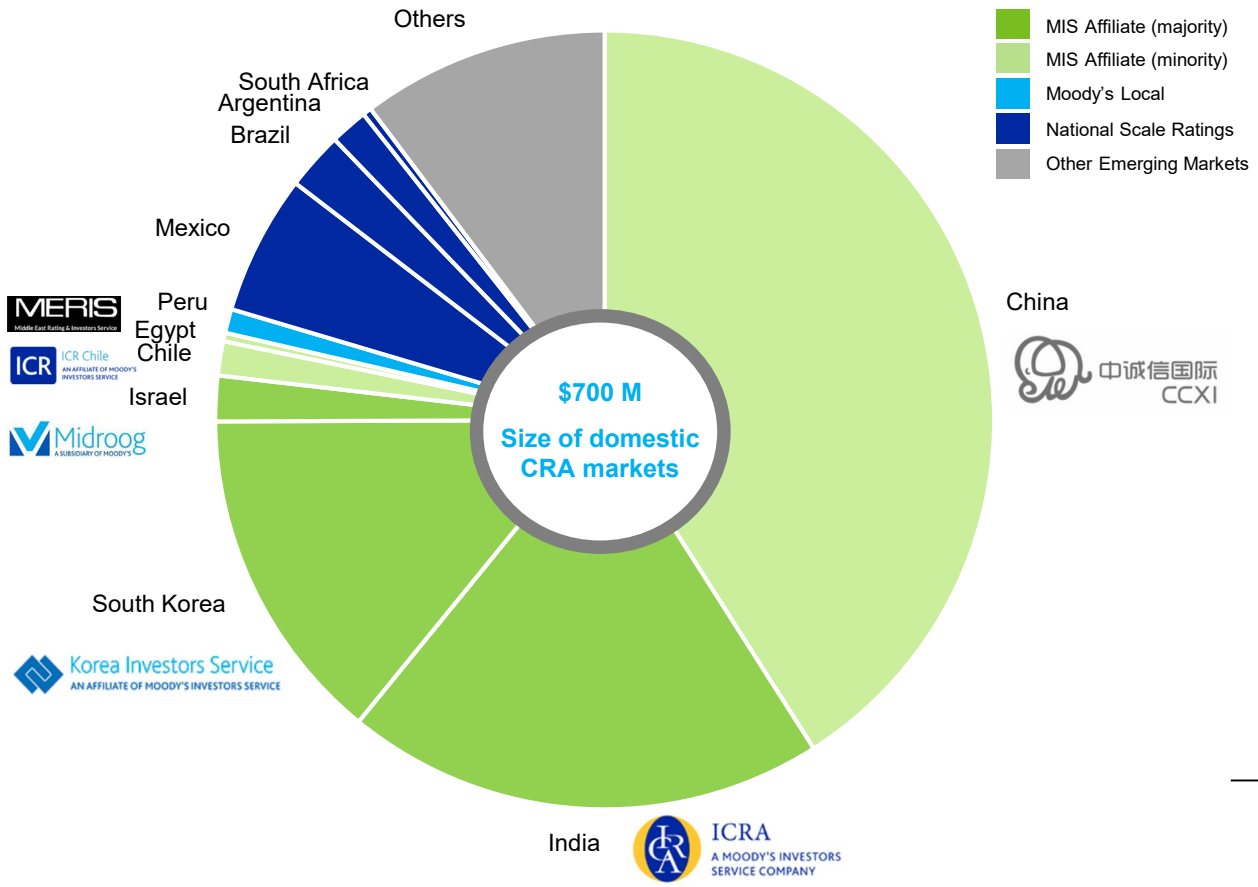
1,000
MONITORED LISTS

1.7M+
POLITICALLY EXPOSED PEOPLE

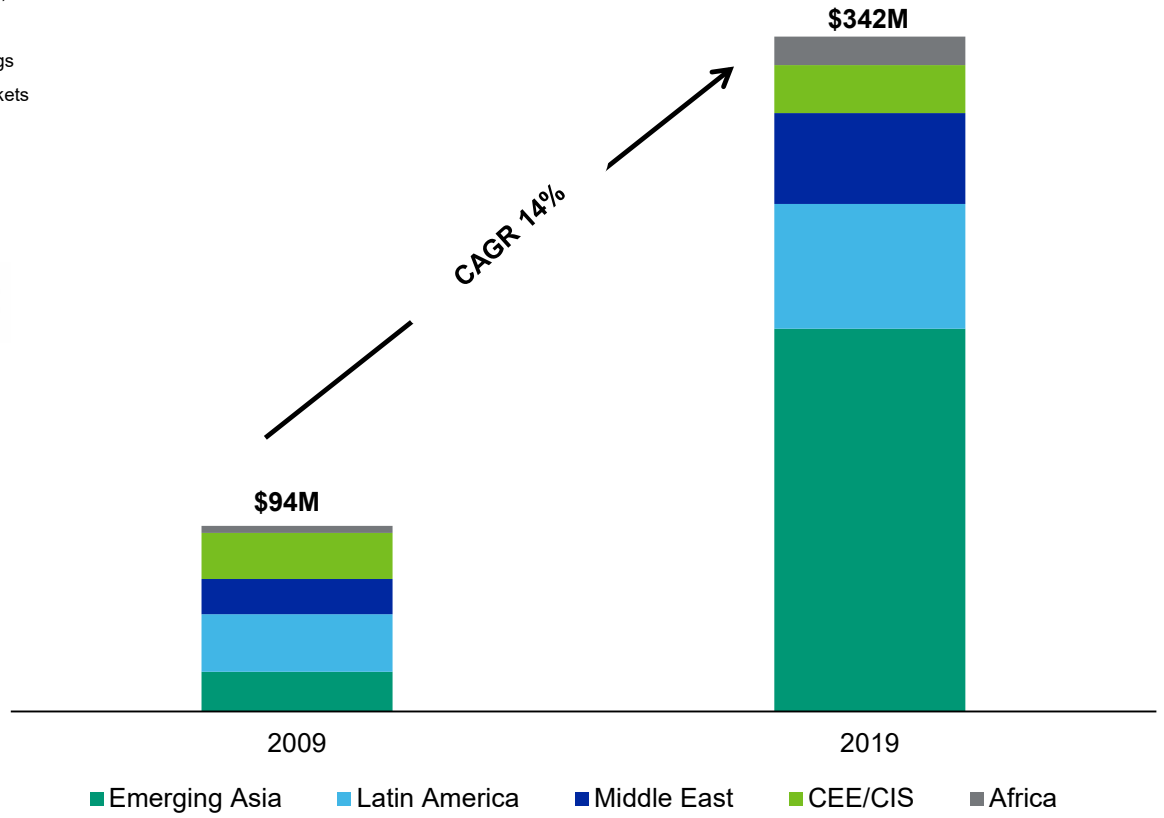
1. 2019 revenue growth. 2018 revenue includes the impact of $17M of revenue reductions relating to previous adjustments to deferred revenue recorded as part of acquisition accounting.
2. Direct adjusted operating margin for Bureau van Dijk for full year 2019. Excludes the allocation of corporate overhead expenses.
3. Source: Burton-Taylor, "AML/KYC Data & Services Global Sizing 2019", November 2019; Moody's Analytics estimates.
4. Pro forma estimate assuming RDC owned for full year 2019.
5. Guidance as of February 12, 2020.

Strongly Positioned in Emerging Markets

Emerging Markets - Domestic TAM



MIS Emerging Markets Revenue[1]



Note: Size of pie represents the estimated total CRA revenue from domestic markets ($700 million).

1. Includes revenue from cross border issuance.

Macro Assumptions Underpinning Our Outlook[1]

Base Case

Expect continuing economic recovery in 2H 2020

2020 GDP

-6% United States

-9% Euro Zone

-5% Global



Benchmark interest rates remain low; high-yield spreads peak above 650 bps



U.S. unemployment rate of ~10% by year-end



High yield default rate rising to ~9%[2]



Developments since April 30th

ACCELERATE

- ✓ Continued global fiscal support and monetary stimulus actions
- ✓ Surge of investment grade capital raising for liquidity purposes
- ✓ Rebound in high yield bond issuance amid tighter spreads
- ✓ Robust equity markets and sharp decline in VIX index
- ✓ Signs of global economic recovery

DECELERATE

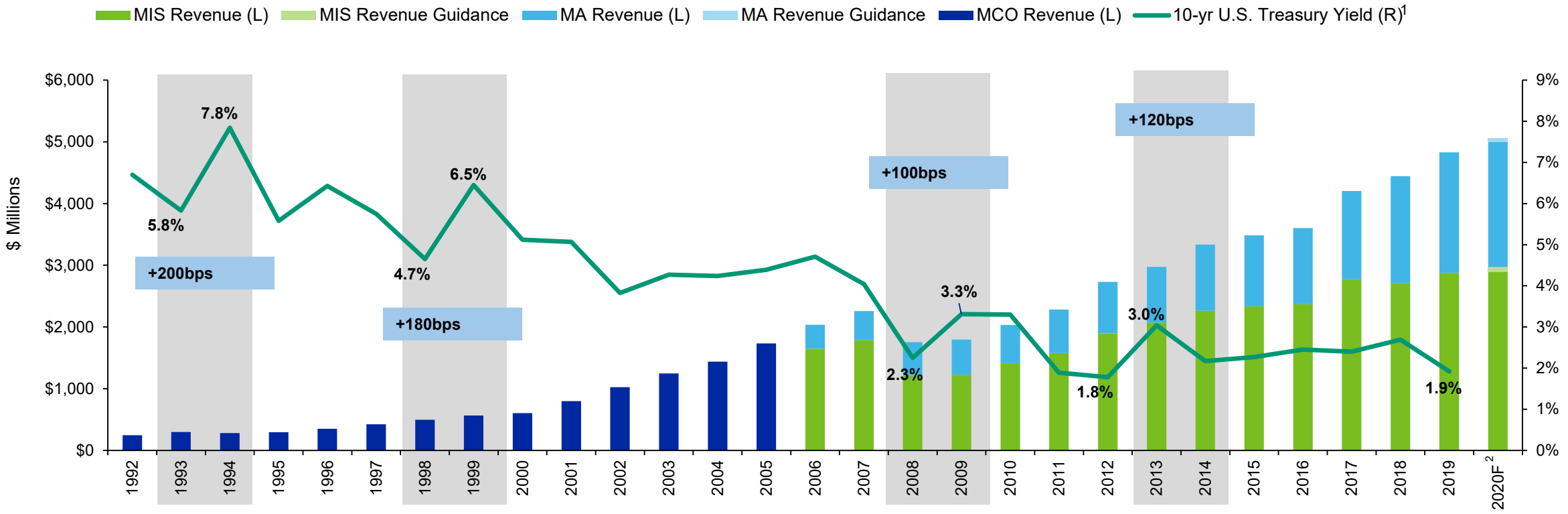
- ✗ COVID-19 cases continued to increase at rapid pace in the U.S., with some states rolling back re-opening measures

1. All assumptions and guidance as of July 30, 2020.
2. By the end of 2020.

Sources: "June 2020 Default Report" and "Global Macro Outlook 2020-2021 (June 2020 Update)" from Moody's Investors Service.

Historically, Moody's Revenue and Interest Rates Have Not Been Strongly Correlated

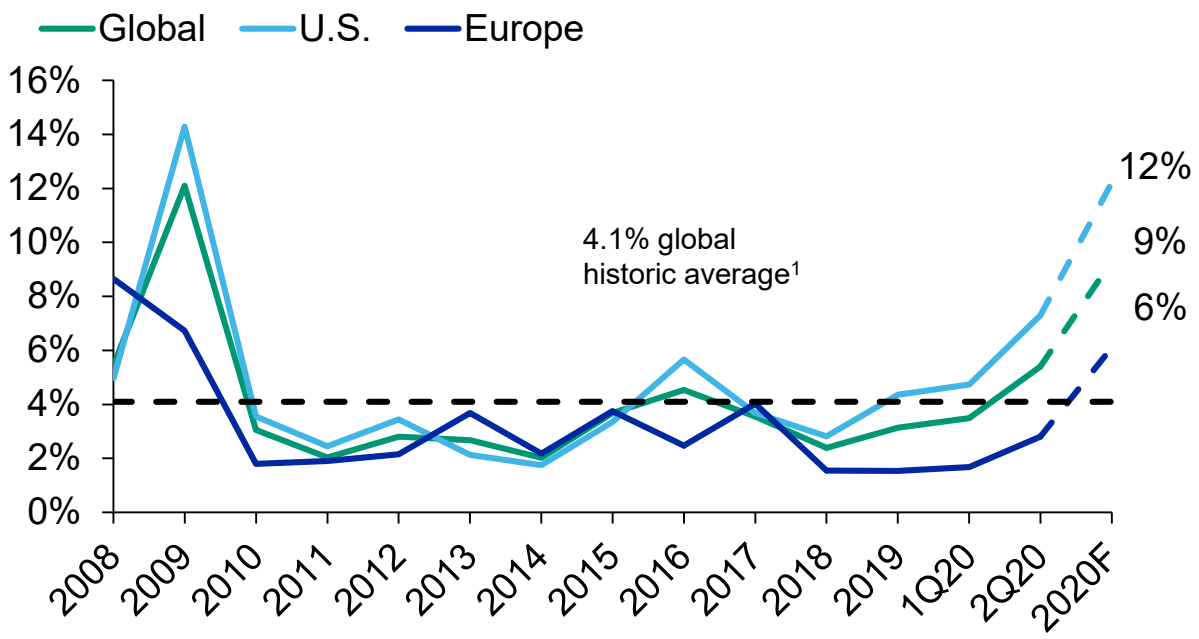
MCO Revenue and Interest Rates



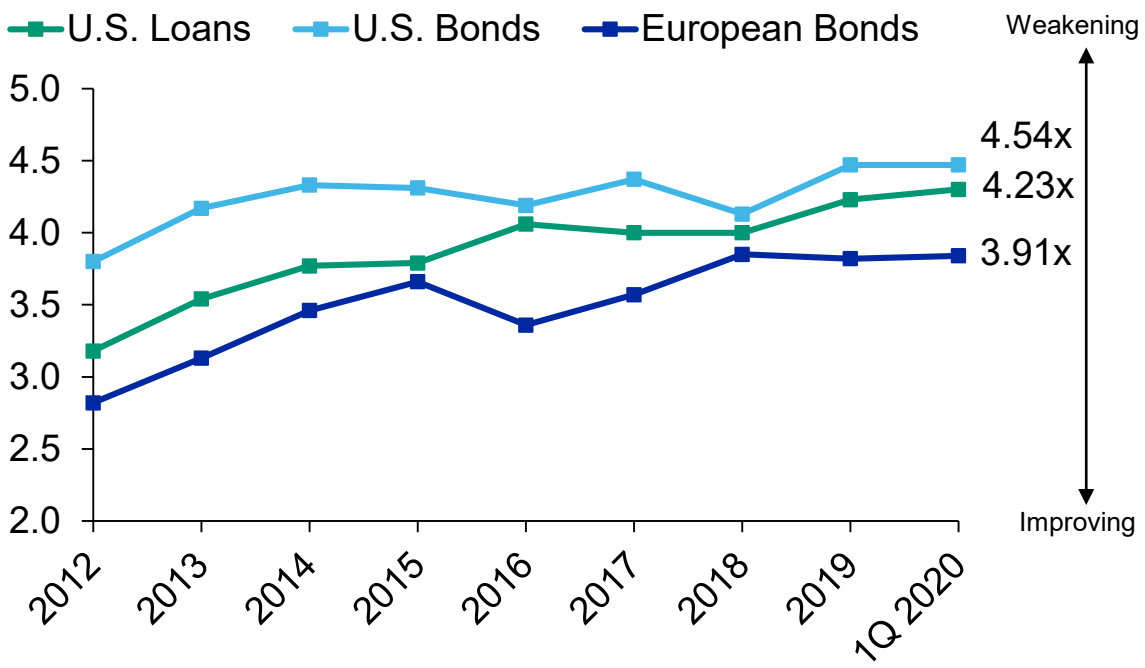
Note: Gray bars reflect periods of significant increases in the 10-year Treasury Yield.
1. 10-yr U.S. Treasury Yields are represented by the rate at the end-of-period.
2. Guidance as of July 30, 2020.
Source: www.treasury.gov.

Default Rate Forecast Rises in Wake of Unprecedented Turmoil

Default Rates for Speculative-Grade Corporate Rated Issuance[1]



Speculative-Grade Covenant Quality Indicators[2]



1. Moody's rated corporate global speculative grade default historical average of 4.1% from 1983 through June 30,2020. 2020 forecast for TTM ended December 31, 2020.
2. Covenant data for European bonds represent a three quarter rolling average, North American loans and bonds represent a two quarter rolling and a three month rolling average, respectively.

Source: Moody's Investors Service.

Moody's Priorities for Strategic Growth

Enhance technology infrastructure to enable automation, innovation and efficiency

Foster employee engagement and creative solutions through our **diverse workforce and inclusive environment**

Global Integrated Risk Assessments



Moody's Core Strengths

- Trusted brand
- Proprietary data and integrated analytics
- Business-credit products
- Extended global customer base

Expand into New Geographies and Strategic Adjacencies

REGIONAL EXPANSION



BUSINESS ADJACENCIES



MOODY'S | Better decisions

Investor Relations
ir.moodys.com
ir@moodys.com

moodys.com

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