
MOODY'S



Moody's Analytics

Strengthening Moody's Position in Financial Risk Management

DECEMBER 17, 2015

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Overview of Moody's Corporation

MOODY'S

- » 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*

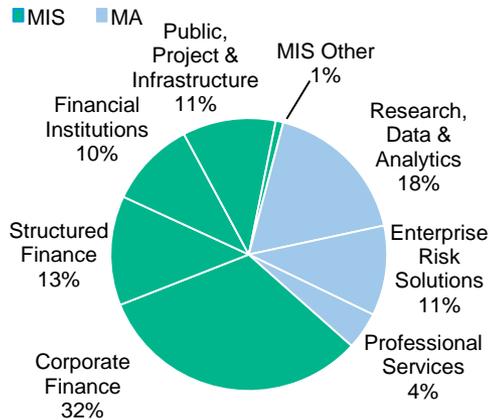
MOODY'S INVESTORS SERVICE

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

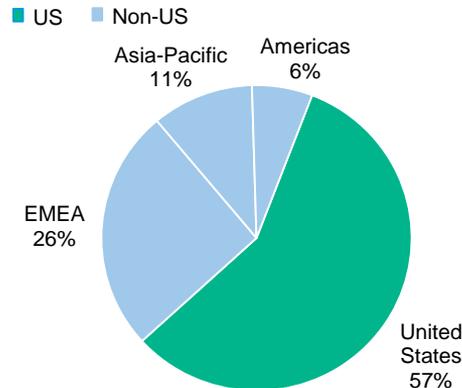
MOODY'S ANALYTICS

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

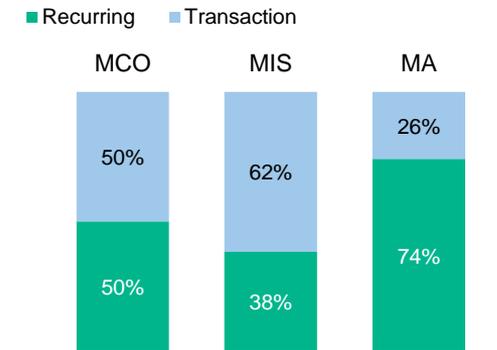
Revenue by Business*



Revenue by Geography*



Revenue by Type*

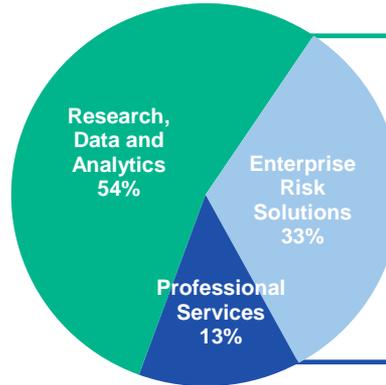
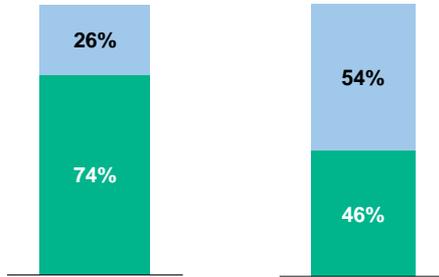


*All financial data is for the trailing twelve months ended September 30, 2015.

Moody's Analytics Financial Profile

TTM 3Q15 Revenue: \$1.1 billion

■ Recurring ■ Transaction ■ US ■ Non-US



» ~95% recurring revenue
» 96% retention rate

» ~62% recurring revenue

» Combination of one-off contracts and semi-recurring revenue

2015 Revenue Guidance as of November 3, 2015

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

Operating Margin

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



Moody's Analytics Opportunity Summary

	Research, Data & Analytics	Enterprise Risk Solutions	Professional Services
Value Proposition	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Domain expertise in banking & credit risk management • World-class software engineering • Effective project management & execution 	<ul style="list-style-type: none"> • Scalable offshoring model to provide analytical support to front-line bankers • Exclusive certification franchise in Canadian securities market
Primary Customers	<ul style="list-style-type: none"> • Debt capital markets participants – buy-side & sell-side 	<ul style="list-style-type: none"> • Banking • Insurance 	<ul style="list-style-type: none"> • Investment & commercial banks, investment managers, broker-dealers
Demand Drivers	<ul style="list-style-type: none"> • Moody's embedded position in bond markets • New innovations in debt capital markets • Development of regional credit markets • Adoption of enhanced credit risk practices at non-financial companies 	<ul style="list-style-type: none"> • Regulation (Basel, CCAR, Solvency II, IFRS9) • Adoption of global best practices in risk management • Emerging "utility" model for risk management infrastructure 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Sustain high retention rates (mid-90's%) • Expand tools for under-served credit markets (esp Asia, unrated companies) • Leverage expertise to expand ERS solutions 	<ul style="list-style-type: none"> • Expand footprint in banking • Extend reach into insurance • Build more recurring revenue • Expand reach via partnerships 	<ul style="list-style-type: none"> • Expand footprint in outsourced research & analytics • Extend Canadian certifications franchise to new markets • Build recurring certification revenue
US / Int'l*	56% / 44%	36% / 64%	34% / 66%
Competitive Environment	Limited competition	Highly competitive	Moderate competition

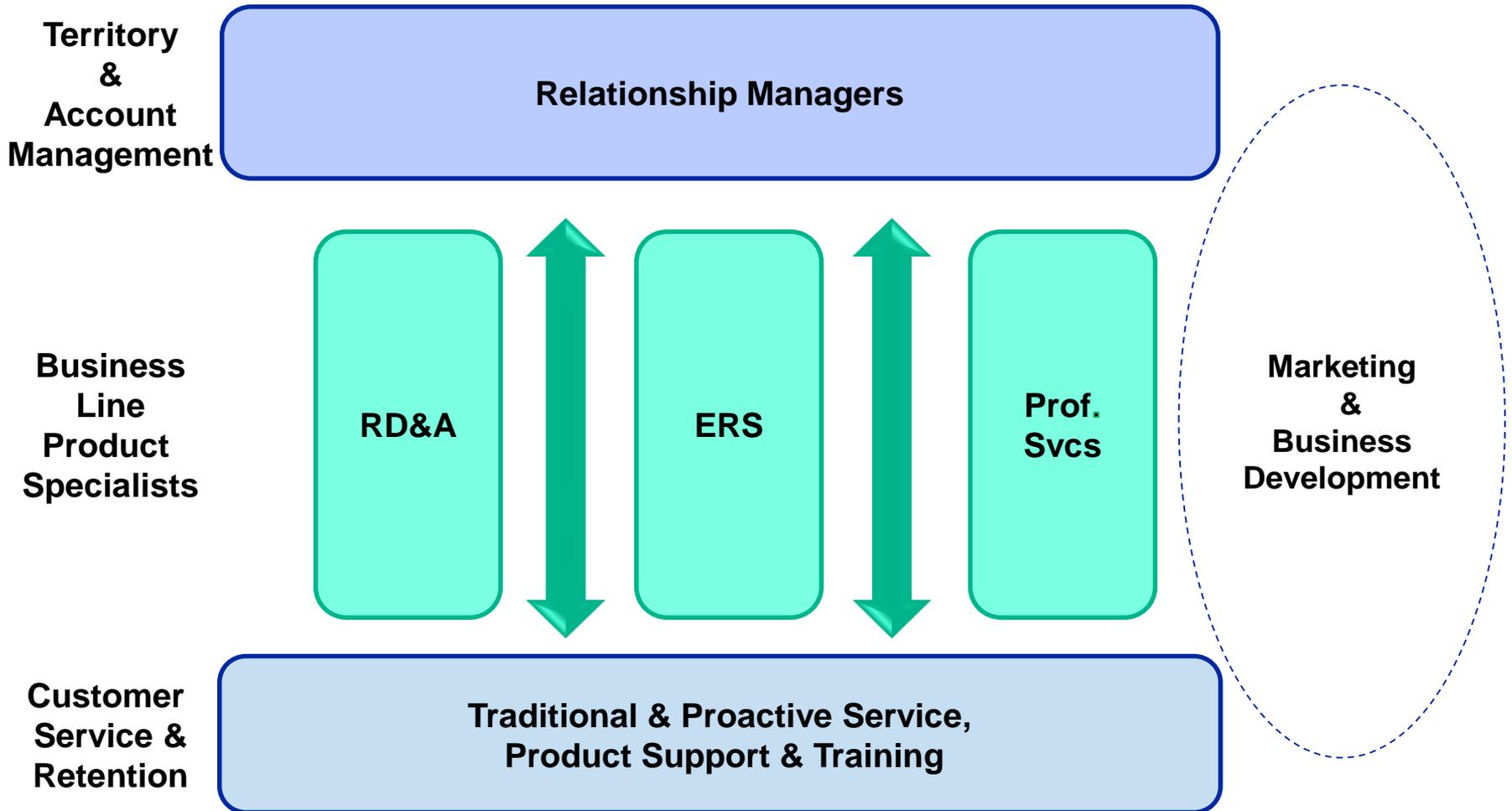
* as a percentage of YTD revenue through September 30, 2015.

Product Offerings Relevant Across Financial Institutions

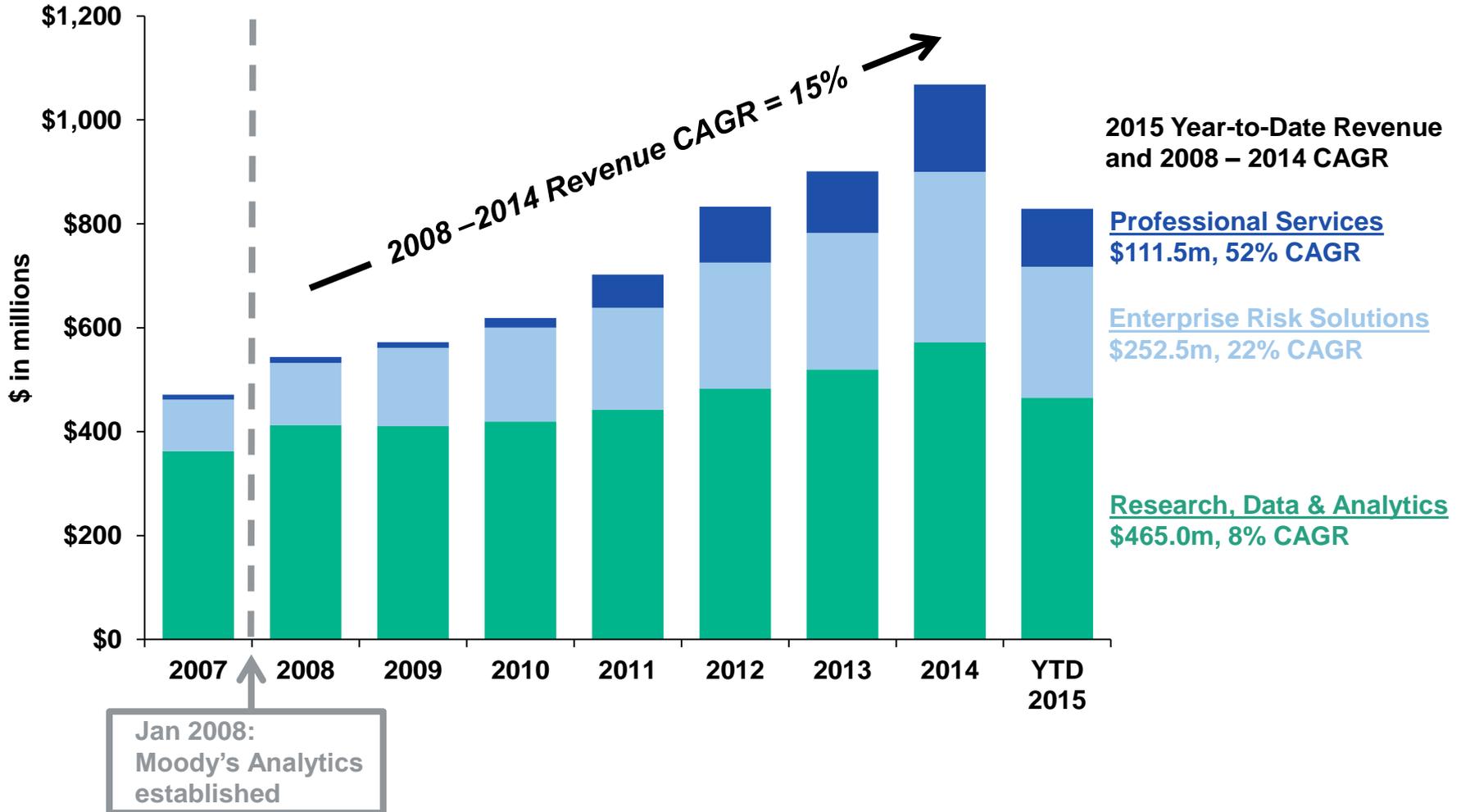
		Loan Markets		Securities Markets			Other	
		Comm'l Lending	Consumer Lending	Investment Management	Investment Banking	Sales & Trading	Risk Mgmt	Treasury
RD&A	MIS research & data	✓		✓	✓	✓	✓	
	Credit market analysis & data	✓		✓	✓	✓	✓	
	Economic research, data, & modeling	✓	✓				✓	✓
	Structured finance analytics			✓	✓	✓		✓
ERS	Software	✓		✓			✓	✓
	Risk modeling	✓	✓				✓	✓
Prof. Svcs.	Training	✓	✓	✓	✓	✓	✓	✓
	Offshore analytical resources	✓		✓	✓	✓		

- » Centrally managed sales organization leverages established customer relationships which facilitates distribution of new product

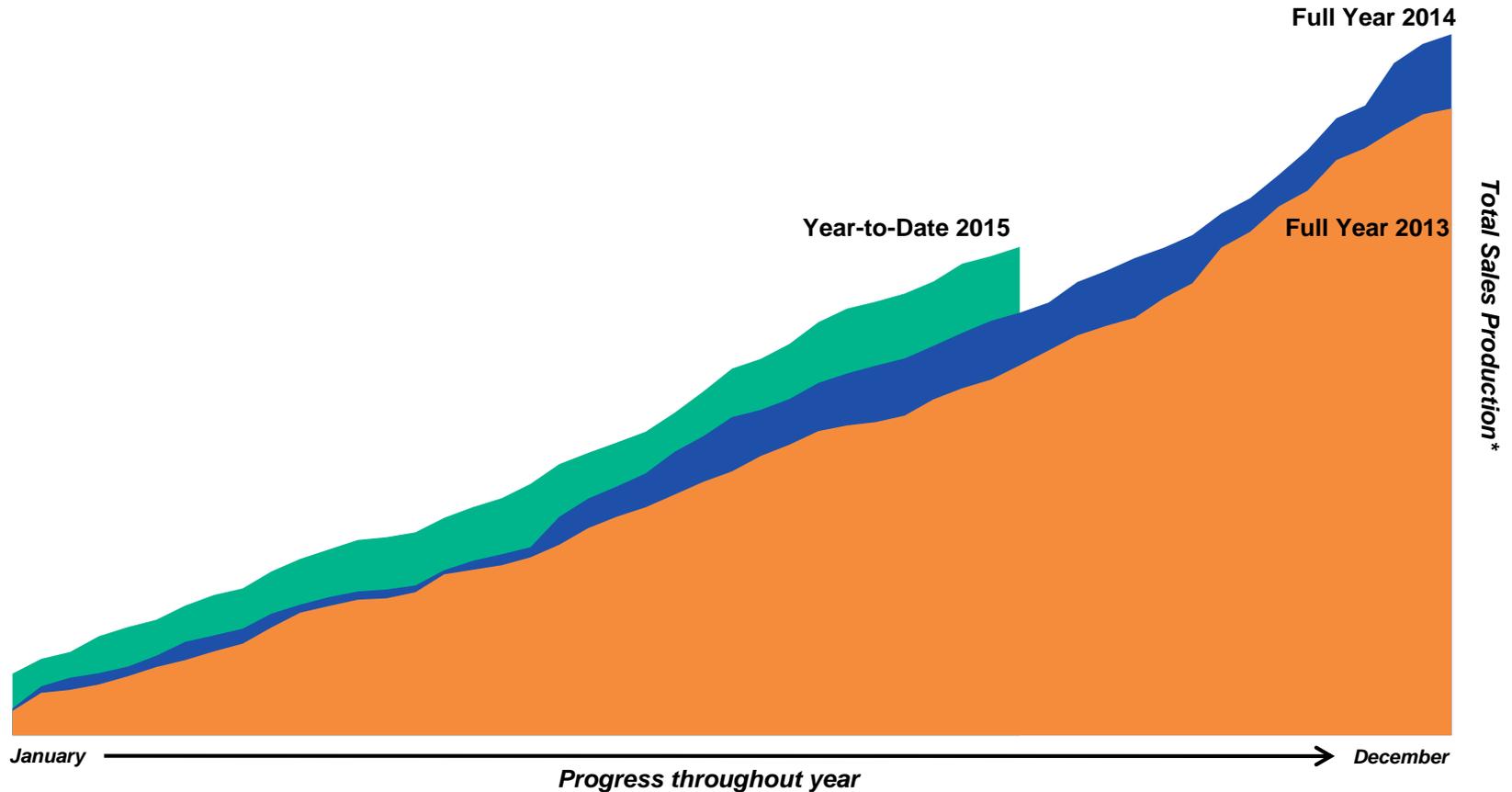
Team Selling Drives Customer Focus and Business Line Results



Multiple Platforms for Growth

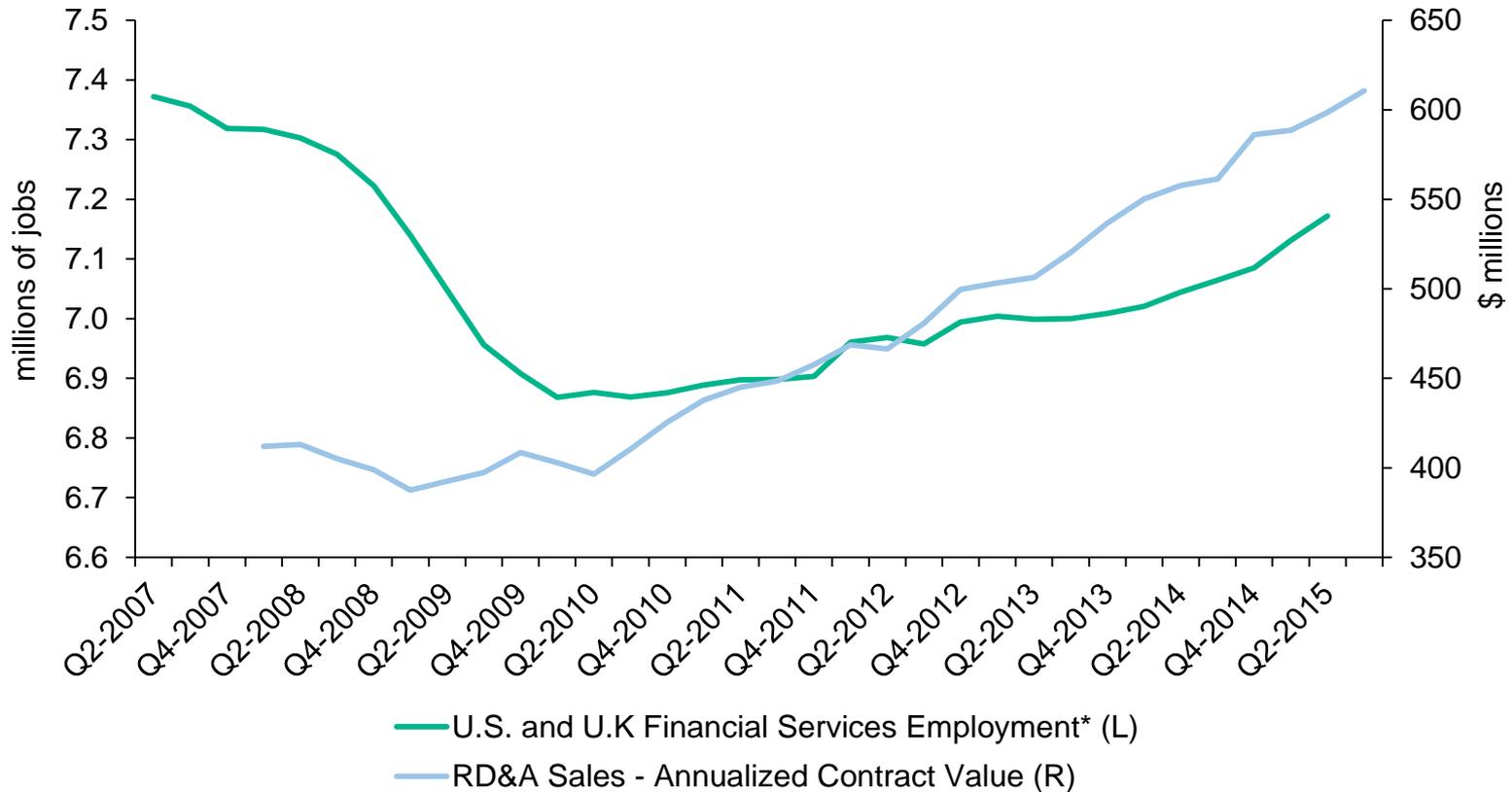


Moody's Analytics' 2015 Sales Growth Tracking Well Ahead of Last Year



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

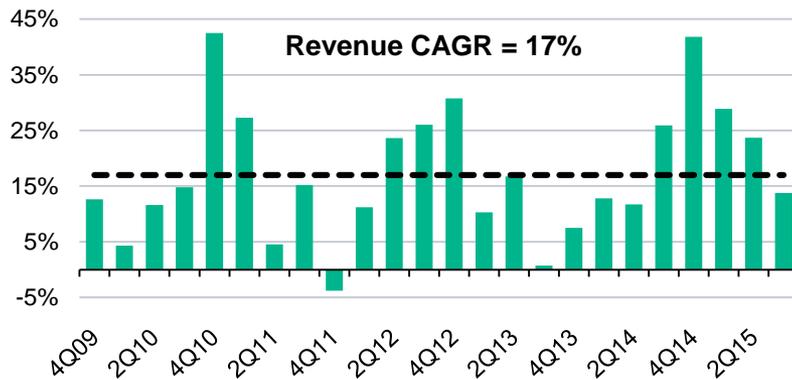
RD&A Pricing Model Limits Exposure to Customer Contraction



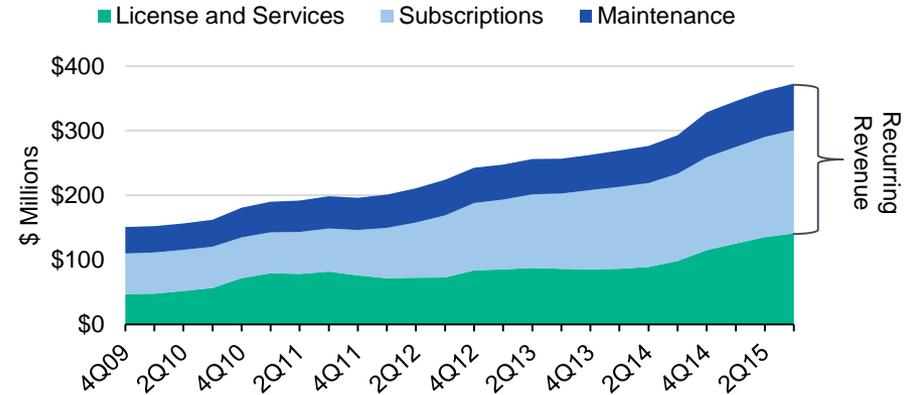
*U.S. and U.K. financial services employment data only available through Q2 2015. Source: U.S. Bureau of Labor Statistics and the U.K. Office for National Statistics, respectively.

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

Year-over-Year Revenue Growth by Quarter

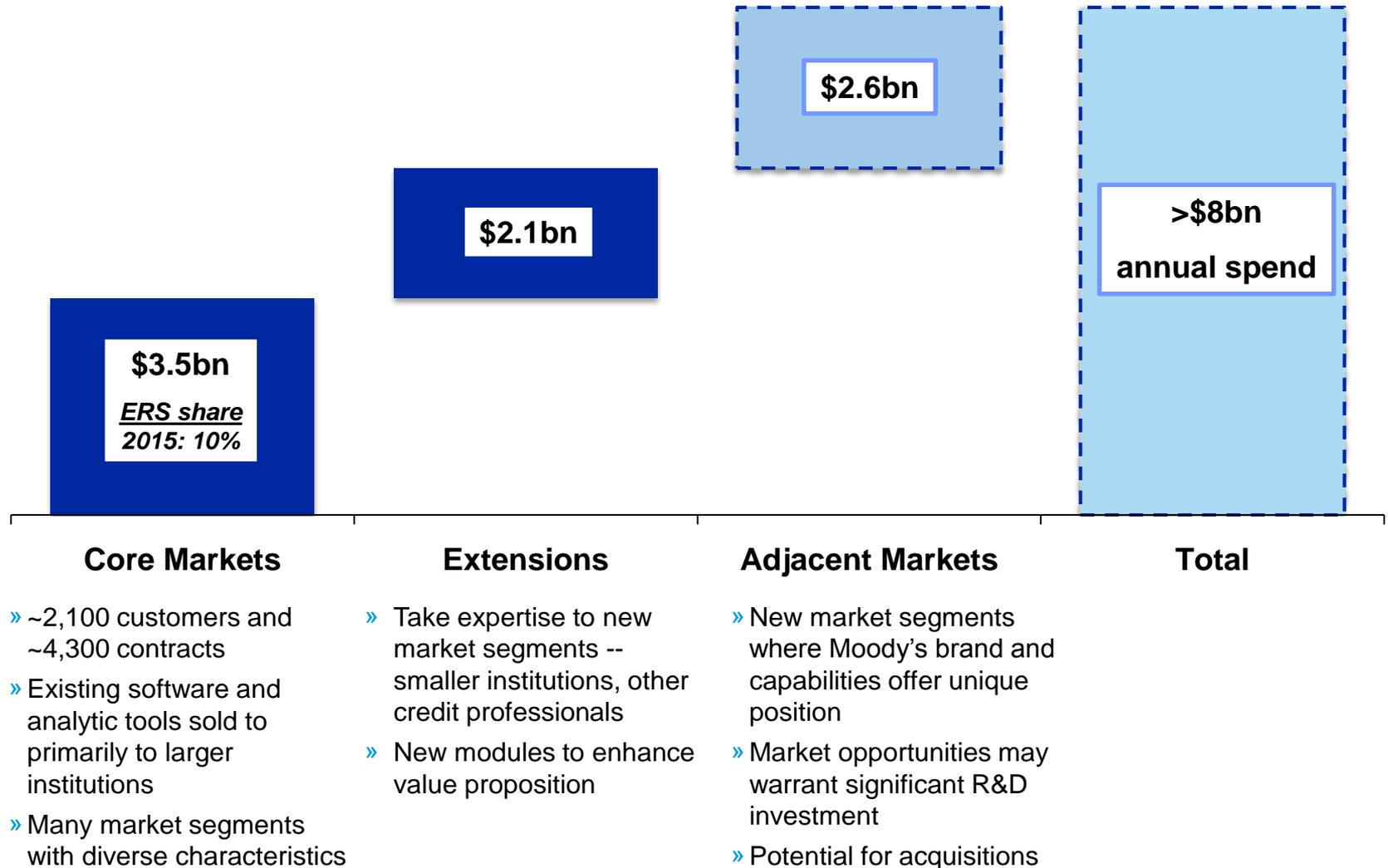


TTM Revenue by Type

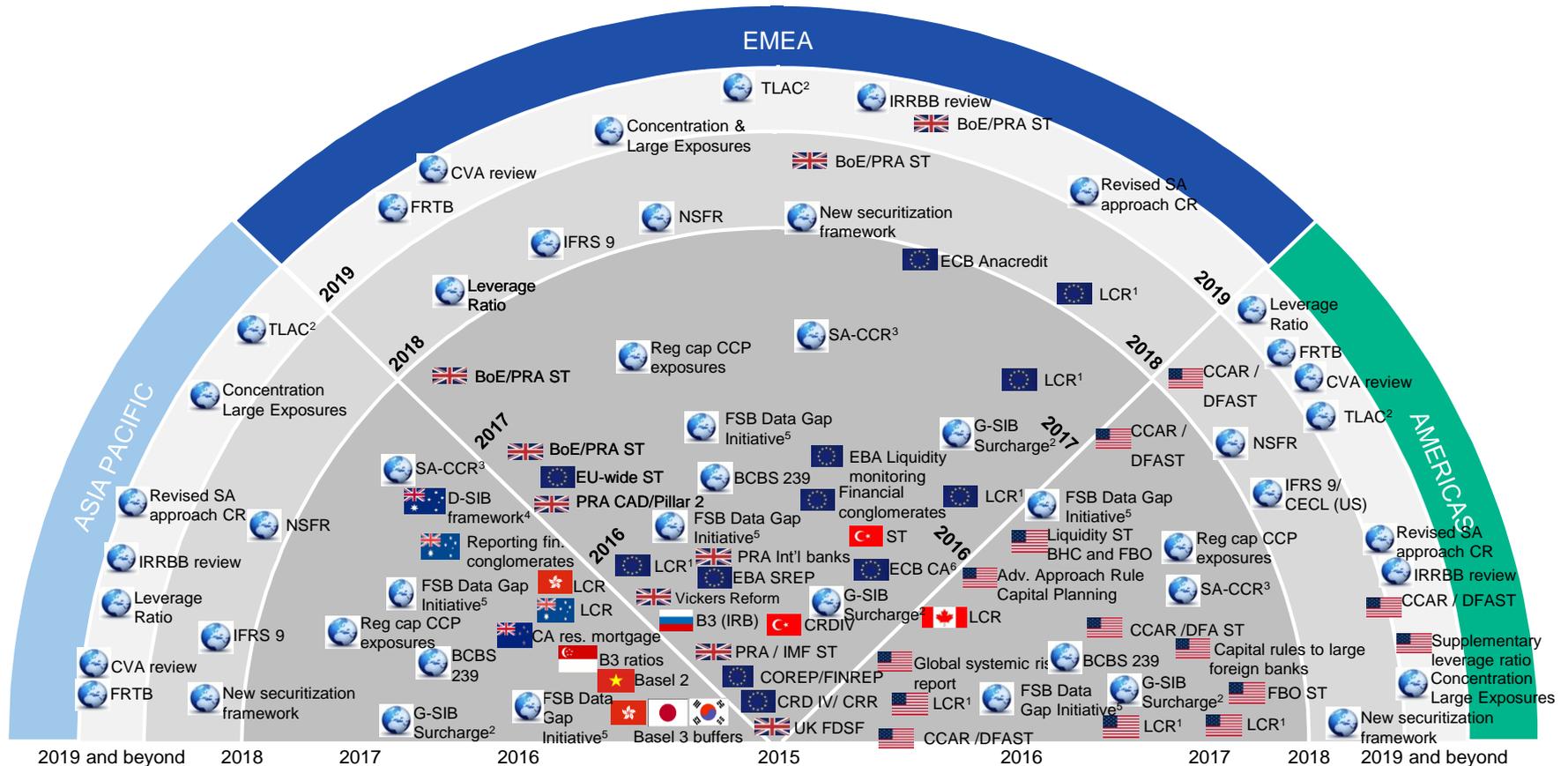


- » ERS revenue is driven by (1) regulation and accounting standards increasing in complexity; (2) evolution of risk management culture among customers; and (3) customers seeking return on investment and cost efficiencies
- » ERS saw operating income improvements in 2014 and is on track for similar performance in 2015
 - Investments in product quality and configurability facilitate continued margin expansion
 - Focus on higher-value, more profitable business supports margin expansion, with some offset to revenue growth rate possible
- » **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



Global Banking Regulatory Radar

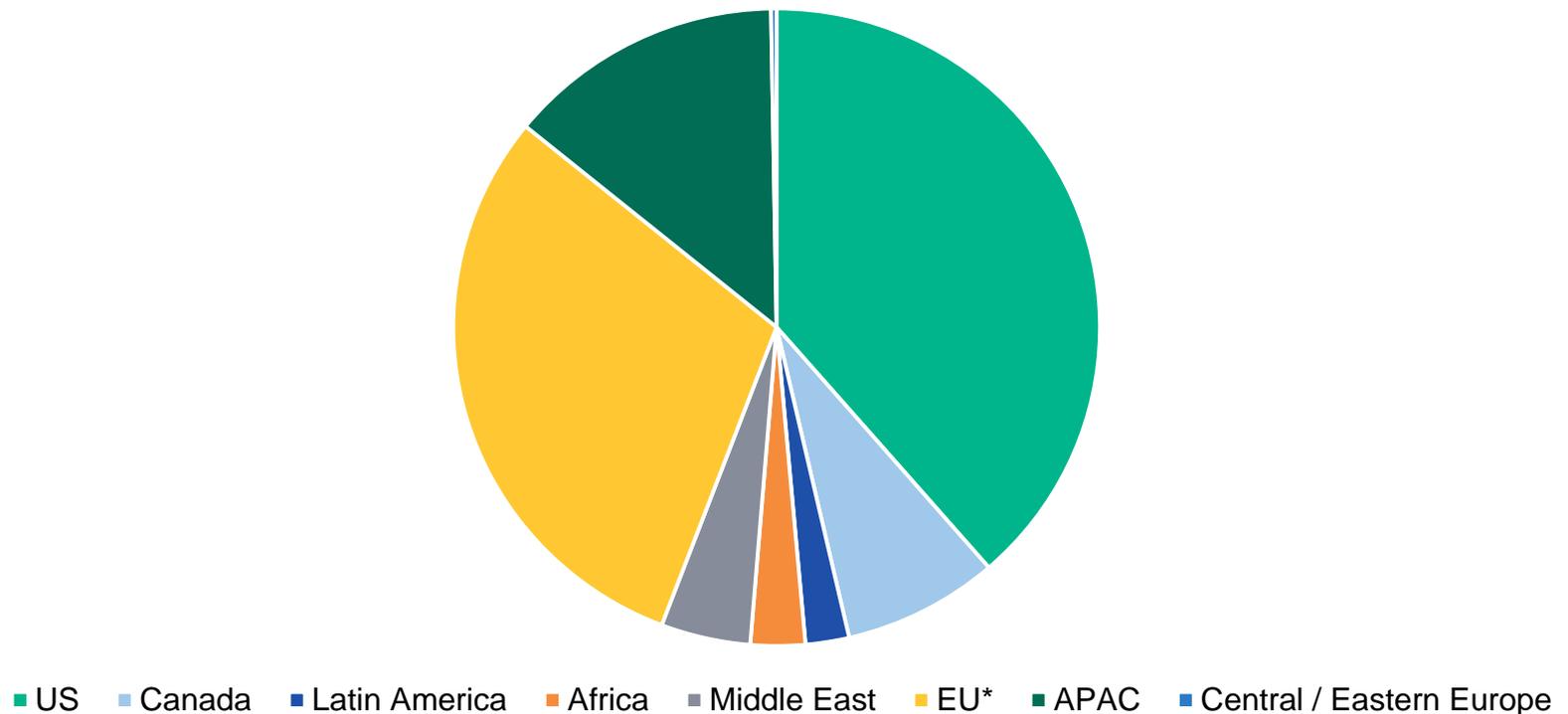


Source: Moody's Analytics market research as of October 2015.

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. banks (G-SIBs).
6. In 2015 the ECB will conduct a comprehensive assessment with 9 European banks

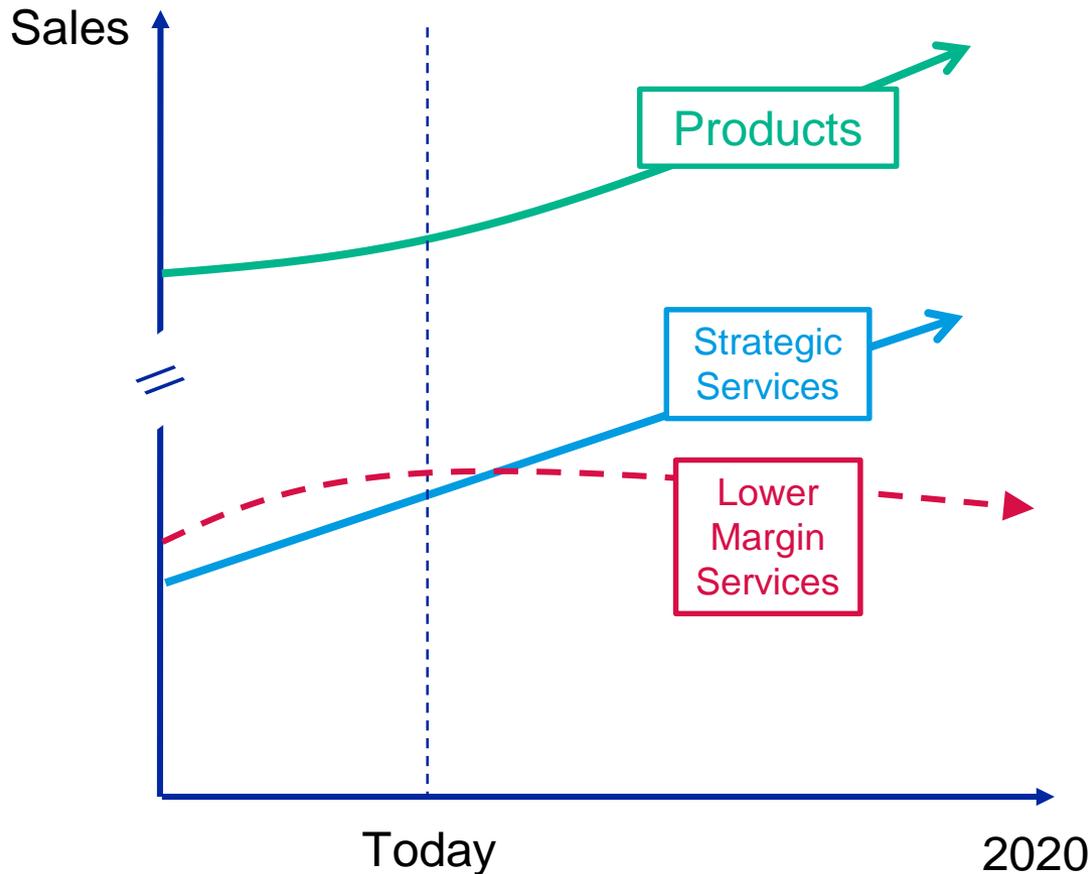
ERS is Winning Significant Business from Banks Worldwide

Year-to-Date 2015 Revenue by Region



*Includes 28 EU members, EEA members (Iceland, Lichtenstein, Norway), Switzerland and Monaco.

ERS is Generating Margin Expansion



- » 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



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



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 is Recognized for Helping Capital Markets and Risk Management Professionals Worldwide



#1 Regulatory Capital Calculation & Management and #1 Asset & Liability Management



#1 Basel III Compliance and #1 Economic & Regulatory Capital Calculation Solutions



Best Solvency II & Best Data Management Solutions



#1 Risk Management Regulatory/Economic Capital Calculation



Winner of the Structured Products Americas Award, Technology Vendor of the Year - Non-bank



Crystal Ball Award for the accuracy of its US home price forecasts for the 2011 Expectations for 2-Yr Horizon (2013-2014)



Recognized as a Top Solution Provider



#1 Credit Risk



Recognized as a Top Solution Provider



Financial Risk Management Software of the Year

Moody's Analytics: Well-Positioned to Drive Growth

» Strong operating track record

- 31 consecutive quarters of year/year revenue growth
- 15% revenue CAGR over 2008-2014 period
- 21 quarters of double-digit growth
- 2014 operating margin of 19.5%

» Solid market position supporting risk management at financial institutions

- Rich product portfolio supported by unique, differentiating features
- Product offering focused on delivering need-to-have products and services

» Big market opportunity

- Good penetration of customer base, with plenty of opportunity ahead
- Addressable market of *at least* \$12 billion

Website: <http://ir.moody's.com>

Email: ir@moody's.com



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