RiskFrontier™: Next Generation Portfolio Manager

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Agenda

1. Introduction
2. Product Overview
3. Product Demonstration
4. Portfolio Product Roadmap
5. Q & A

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Introduction

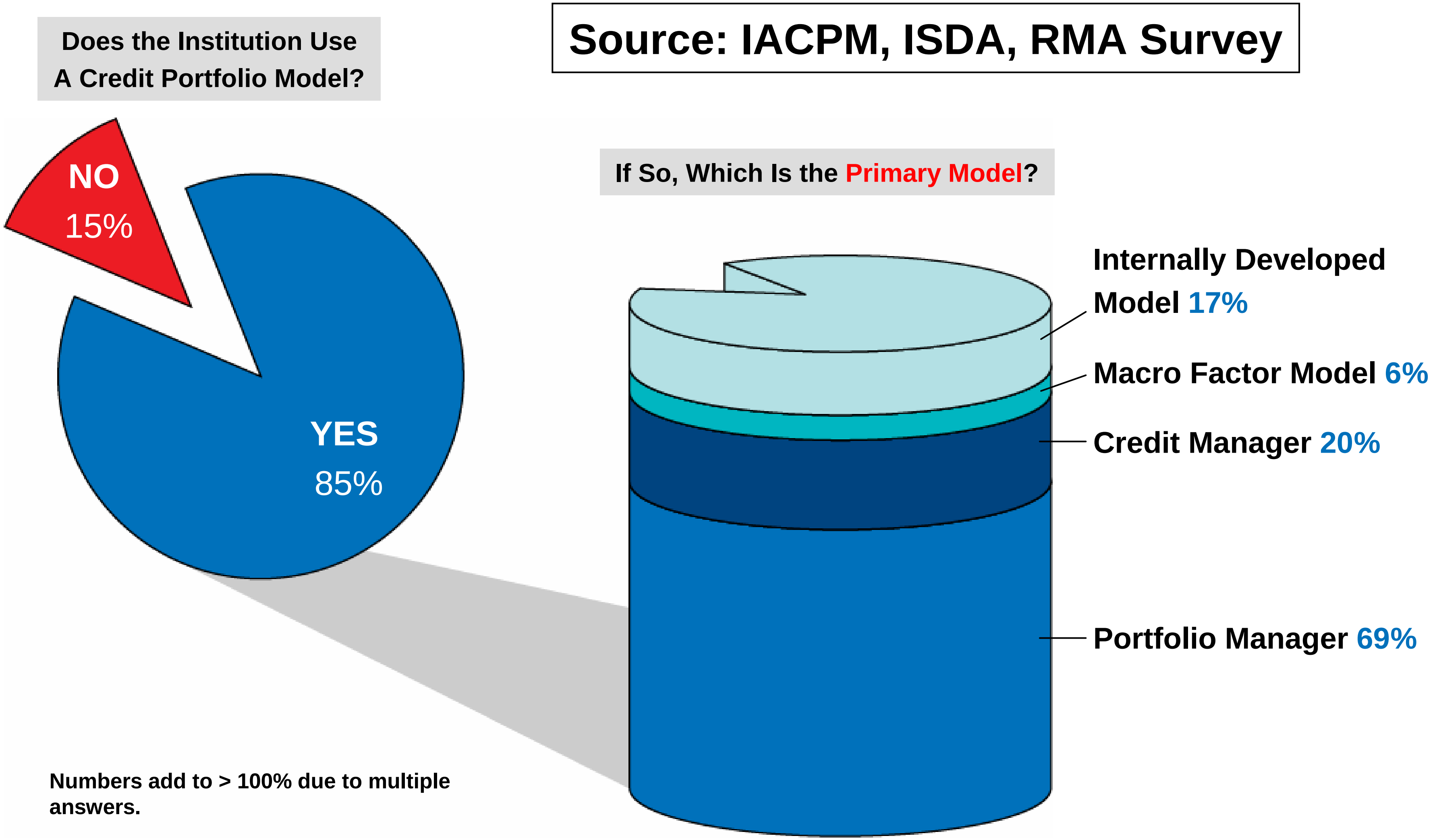
Portfolio Manager™

Portfolio Manager is the credit portfolio model used by the world's leading institutions to

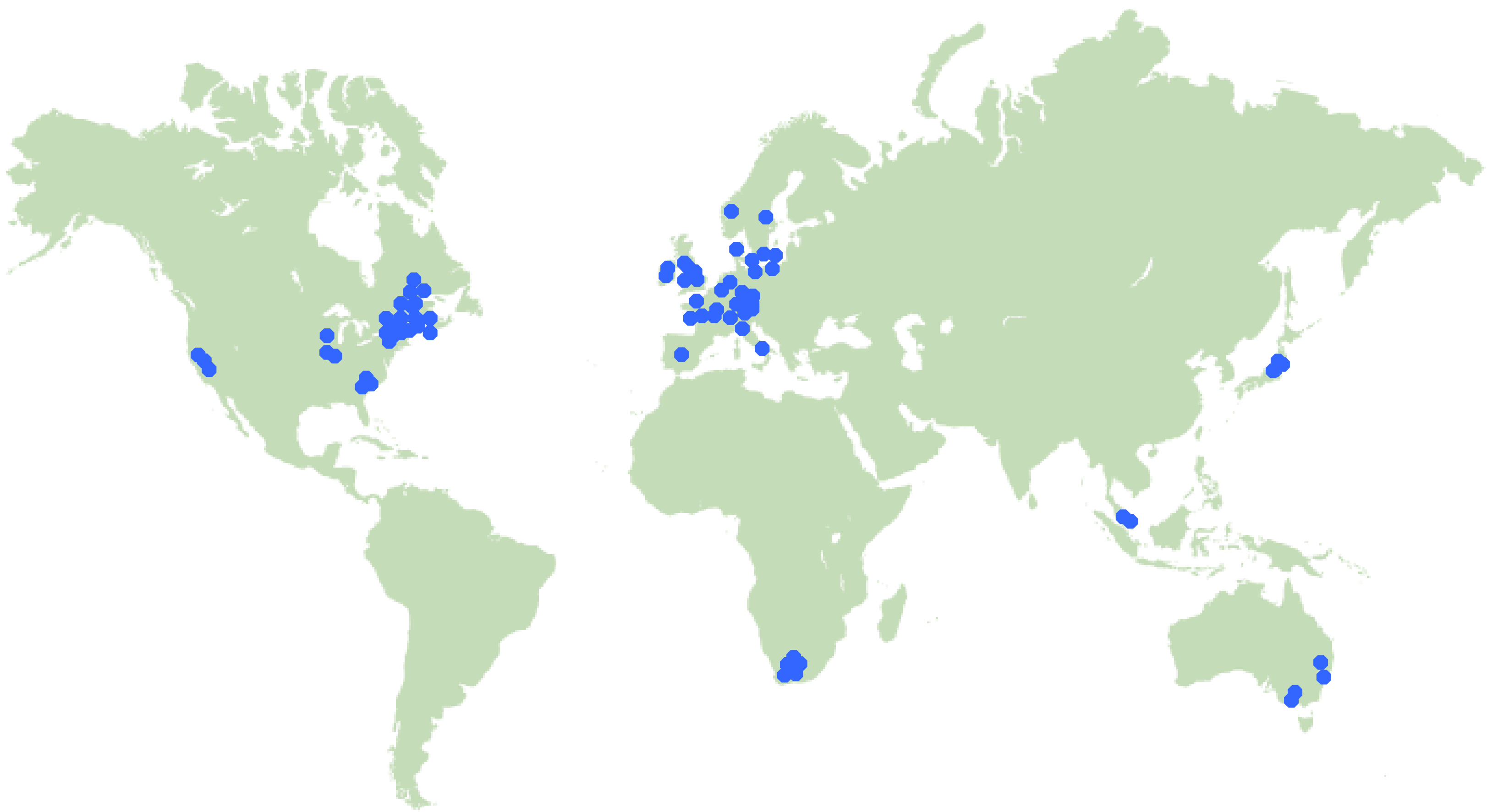
- Measure and understand credit portfolio risk
- Manage economic capital
- Improve portfolio performance
- Price risk

Moody's KMV Is the Market Leader in Credit Portfolio Modeling

Source: IACPM, ISDA, RMA Survey



Portfolio Manager™ Customers: Over 80 Globally



Portfolio Manager and Basel II

- Basel II encourages organizations to measure Economic Capital
- The Basel Committee may eventually use Economic Capital models for regulation once issues of comparability are addressed (paragraph 18)
- Regulators are familiar with Portfolio Manager. The FDIC, BIS Models Committee, and other regulators have used MKMV products to parameterize and benchmark Basel II models.

The Benefits of MKMV’s Leadership

A community of users

- Share insights and best practices with peers
- Wider pool of professionals trained in MKMV products

Market acceptance

- Financial institutions globally use Portfolio Manager

What is RiskFrontier?

RiskFrontier™ is the new platform name for the Next Generation portfolio suite.

The initial focus is to build Portfolio Manager functionality with an upgrade in technology, including the underlying database. We are also building the infrastructure for future enhancements.

RiskFrontier, Next Generation Portfolio Manager

RiskFrontier helps financial institutions

- Measure and understand credit portfolio risk
- Manage economic capital
- Improve portfolio performance
- Price risk

In addition, the new technology will enable institutions to

- Centralize portfolio data
- Centralize credit portfolio management function
- Expand the instrument classes in the portfolio analysis
- Analyze one or more portfolios and their history
- Incorporate own model in an open, transparent framework

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Product Overview

RiskFrontier Feature Overview: Architecture

Server-based application with a Windows workstation

- Centrally installed and maintained
- Allows multiple users
- Users can access the same portfolio at the same time

Database server

- Microsoft SQL Server database - modern, industrial strength
- Accepts input from PM2 tables, MS Access, or directly from another database
- MKMV empirical data, such as EDF measures, correlations, and market risk premiums, can be retrieved and stored

RiskFrontier Feature Overview: Instrument Classes

- Loans
  - ✓ prepayment options
  - ✓ grid pricing
  - amortized loans
- Custom cash flow
- Bonds
  - ✓ call option
  - ✓ put option
  - ✓ sinking fund
- ✓ Revolvers
  - ✓ grid pricing
  - ✓ contingent usage
- CDS's
  - ✓ seller/buyer counterparty risk can be explicitly modeled
- ✓ CDOs with pass-through waterfalls (i.e., synthetic)
  - ✓ links concentration effects of obligors common to the collateral pool and portfolio
- ✓ Basket Swaps
- Exposure profile for derivative contracts
- ✓ Equity
  - ✓ private equity can be modeled by defining excess returns and volatility
- Aggregates to roll up retails or any instrument classes

✓ RiskFrontier feature

RiskFrontier Feature Overview: Open, Transparent Model Framework

- Open Correlation
  - MKMV's global correlation factor model
  - Customize MKMV's correlation model
  - User-specified correlation model
- ✓ Open Migration
  - MKMV Distance-to-Default Dynamics (DDD)
  - ✓ Customized MKMV credit migration, e.g., conditional DDD
  - ✓ Vary migration input for corporate, SME, and retail customers
  - ✓ User-specified migration (e.g., rating transition matrix)
- Valuation Choices
  - Book Valuation and Linear and Exponential Amortization
  - ✓ Credit-curve valuation (user-specified term structure of spreads)
  - ✓ Matrix valuation (user-specified spread matrix/matrices)
  - ✓ Lattice valuation (evaluates embedded options)
  - ✓ Semi-analytic CDO valuation for pass-through waterfalls (i.e., synthetic deals)
  - User-specified values

✓ RiskFrontier feature

RiskFrontier Feature Overview: Software Features

- Multiple Portfolios
  - ✓ View a history of one or more portfolio
  - ✓ Continue working while one or more portfolios are running
  - ✓ Seamlessly share portfolios with other users in your business/regional group
- Scenario Analysis
  - Model a new deal – buying or selling
  - Merge two or more portfolios
  - ✓ Stress-test the variables of a portfolio
- View Reports
  - Measure the risk, return, and capital of one or more portfolios
  - Understand how a portfolio is distributed by industry and country
  - Examine the portfolio value, loss, and capital distributions
  - ✓ Identify your top and bottom customers by capital, PD, and other variables

✓ RiskFrontier feature

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Product Demonstration

Product Demonstration

About my portfolio

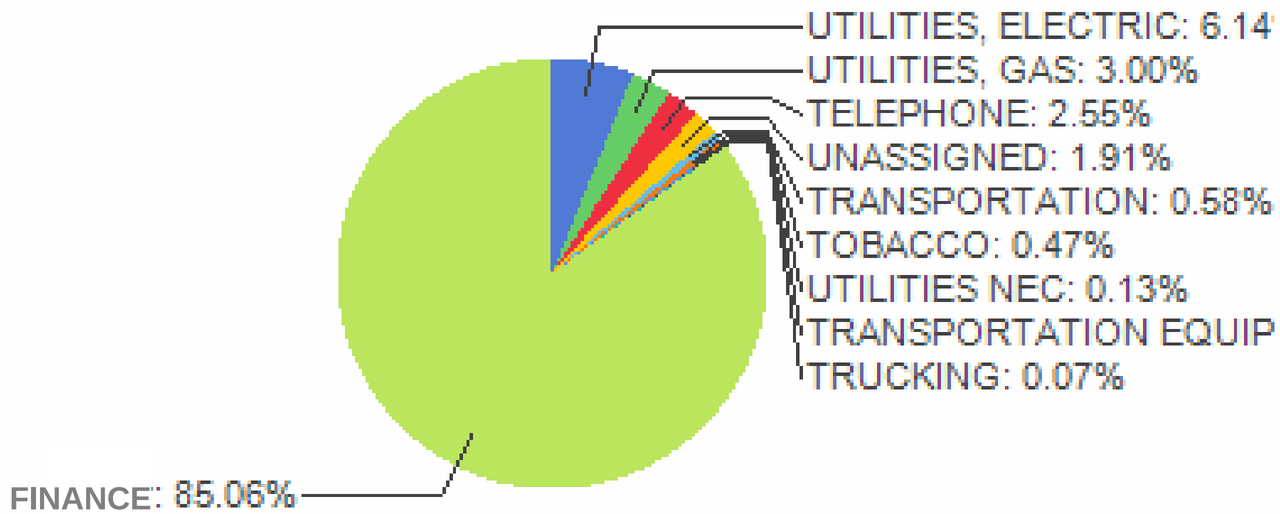
- What is my portfolio’s risk distribution by industry and geography?
- An overview of my portfolio risk, return, and capital
- Review my portfolio composition

About my customers

- Who are my riskiest customers from a PD perspective?
- Who are the top capital users?
- Who are my top and bottom 25 customers?

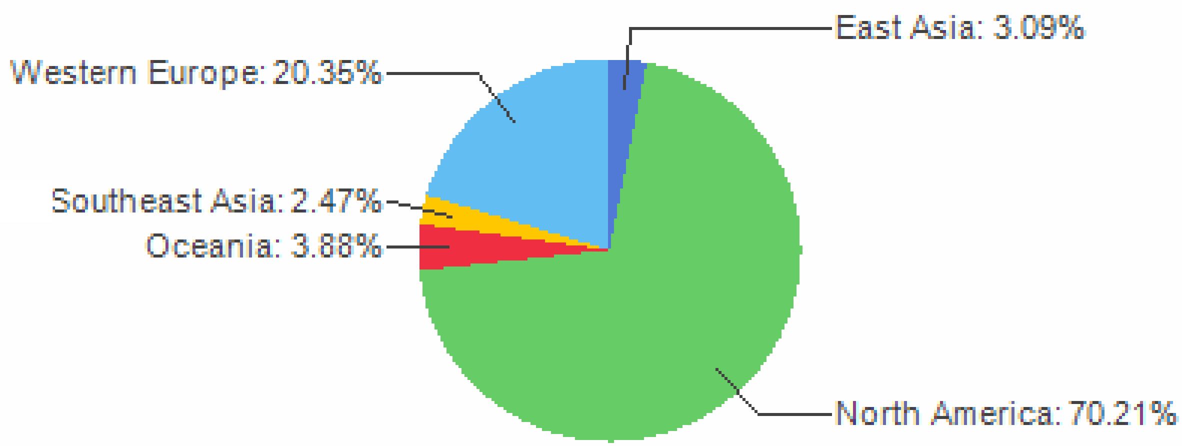
What are my exposures by industry?

Top 10 Industries



What are my exposures by region?

Exposure by Regions



Which customers have the highest PDs?

Top 10 Year 1 PD by Name

Name	PD
AES CORP. (THE)	2.50
AAR CORP	1.45
IMAGE ENTERTAINMENT INC	1.00
RGC RESOURCES INC	0.78
MERIDIAN RESOURCE CORP	0.58
BEVERLY ENTERPRISES	0.49
FANNIE MAE	0.49
IPAYMENT INC	0.31
INTERNATIONAL WINE INVESTMENT FUND	0.16
ACXIOM CORP	0.15

What are my largest holdings?

Top 10 Holdings

Name	MTM Exposure
BAYER AG	6,879,452
PUBLICIS GROUPE SA	4,162,158
ALLSTATE CORP	3,501,488
EL PASO CORP	3,000,000
MBNA CORP	2,622,112
CITIGROUP INC	2,581,133
GENERAL ELECTRIC CO	2,564,043
LAFARGE S.A.	2,382,161
GENERAL MOTORS CORP	2,374,118
HEINZ (H J) CO	2,279,322

Putting it all together on the home page…

Tosca

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Demo Run Parameter, an analysis of TestPort1 on 9/6/2006, using holdings as of 9/6/2006 change...

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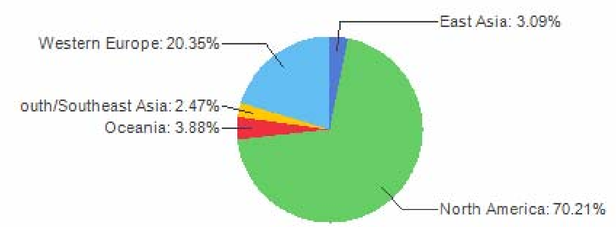
Exposure by Regions



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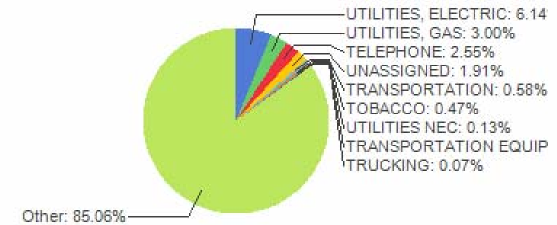
Top 10 Industries



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Portfolio Product Roadmap

RiskFrontier - The credit portfolio management system for every institution

	Q4 2006	Q1 2007	Q2 2007	Q4 2007
RiskFrontier				
	• RiskFrontier beta	• RiskFrontier product launch!	• DealAnalyzer engine • Custom reports • Executive reporting • LossCalc LGDs • RiskCalc EDFs	• Loan Origination Tool • Distributed simulation servers
Portfolio Manager 2.x				
	• Bug fixes		• Correlations update	

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Q & A

Questions and Answers

Q: When will RiskFrontier be available?

A: Q1 2007

Q: How do I get started?

A: Visit www.moodyskmv.com and request more information from an MKMV relationship manager

From the audience…