

RiskCalc™

FROM MOODY'S KMV

RiskCalc is the premier private firm probability of default model. RiskCalc enables greater accuracy, consistency and efficiency than other commercially available models and internal bank models when estimating privately held firms. RiskCalc produces a forward-looking default probability (called expected default frequency, or EDF™) by combining financial statement and equity market information into a highly predictive measurement of stand alone credit risk. RiskCalc consists of a global network of 25 models that cover approximately 80% of the world's GDP.

Credit Risk Challenge: Measuring Private Firm Credit Risk

Institutions are faced with an increasing demand to quantify private firm credit risk. This demand comes from shareholders seeking to maximize their return on risk and from regulators requiring adequate capital levels. Developing accurate and consistent default models for global private portfolios is a significant challenge due to data limitations and constraints on internal resources.

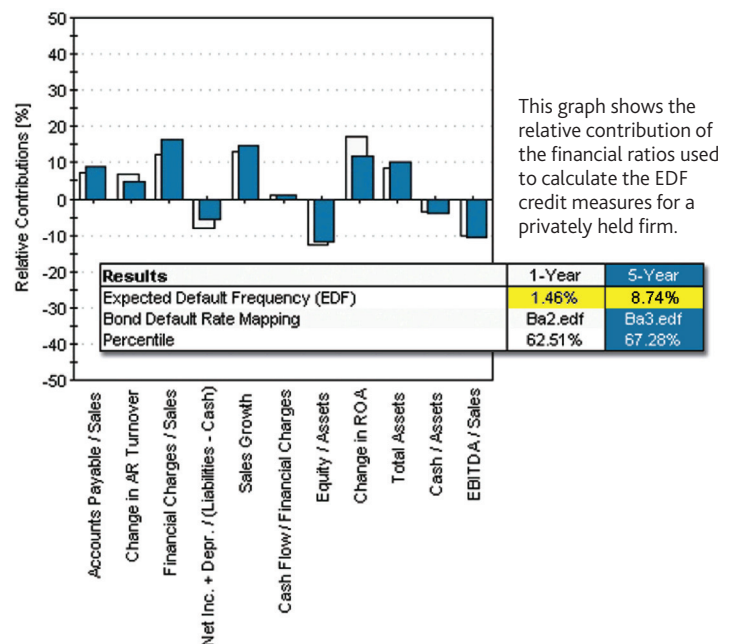
RiskCalc's predictive analytics are based on Moody's Credit Research Database (CRD™), the world's largest and cleanest database of private firm financials and defaults. RiskCalc uses financial statement values to calculate ratios used to determine EDF credit measures.

Measure Private-Firm Credit Risk Accurately, Efficiently and Consistently

RiskCalc's robust analytics and broad coverage has made it the private-firm model of choice among the world's leading banks, corporations, and asset managers. It is considered worldwide as the preferred model for:

- » Efficiently screening obligors at origination
- » Early detection of credit deterioration
- » Accurately and consistently pricing credit risk
- » Monitoring and benchmarking exposures or investments
- » Basel II compliance

Relative Contributions



Key RiskCalc Features:

- » Comprised of a network of country-specific models developed and tested on local private-firm data to capture local default risk factors
- » Can be used either as a stand-alone probability of default (PD) model, an input to an internal PD model or as a benchmarking tool
- » Can be easily accessed via the website, through XML or RiskAnalyst™, Moody's Analytics' dual rating credit scoring platform
- » Produces EDF credit measures from one through five years
- » Maps EDF credit measures to agency ratings
- » Uses intuitive and commonly used financial ratios such as leverage, profitability, debt coverage, liquidity, etc.
- » Adjusts for unique industry differences
- » Captures the impact of credit cycle changes from month-to-month in the period between two financial statements
- » Displays valuable ratio diagnostics and their individual contributions to risk

RiskCalc's Unique Advantage: The World's Largest and Cleanest Private Company Default Database

The predictive power of RiskCalc is based on Moody's CRD. Built in partnership with over 45 leading financial institutions around the world, the CRD contains 13 million financial statements on 2.5 million firms and over 200,000 private company defaults, yielding unique insight into private firm default probability.

RiskCalc's Global Presence: Network of 25 World-Class Models

The RiskCalc network is comprised of unique models covering:

Americas: USA, Canada and Mexico country models, plus U.S. Insurance, U.S. Banks and North America Large Firm

Europe, Middle East and Africa: Austria, France, Netherlands, Nordic (Denmark, Norway, Sweden, Finland), Portugal, Spain, UK, Germany, Belgium, Italy, South Africa, Switzerland

Asia Pacific: Japan, Korea, Australia, Singapore

The Product Family

Moody's Analytics offers the following products that can be integrated with RiskCalc to form a comprehensive Enterprise Risk Management (ERM) Solution:

- » LossCalc: Calculates forward-looking estimates of recovery or loss-given-default (LGD)
- » RiskAnalyst: Platform for financial spreading, credit analysis, data storage, and internal ratings (PD and LGD)
- » RiskFrontier™: Portfolio management tool used to analyze credit risk across diverse asset classes and for economic capital assessment
- » Fermat CAD: Provides the basis for regulatory capital assessment and helps banks comply with both Basel accords

About Moody's Analytics

Moody's Analytics, a fast-growing subsidiary of Moody's Corporation, is rapidly expanding its product offerings and global reach. In addition to distributing the credit ratings and proprietary research of Moody's Investors Service, we offer training and consulting services as well as award-winning software that is tuned to your business challenges and powered by sophisticated models. We reach over 5,000 institutions around the globe, putting the best practices of the entire world of credit, economics and financial risk management at your fingertips, helping you compete in an evolving marketplace.

We encourage you to try RiskCalc for yourself. Please contact Moody's Analytics to learn more, arrange a trial or schedule a personal demonstration. E-mail us at clientservices@moody.com or use one of the numbers below:

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