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Moody's 2007 Operating Plan on Public Finance, Global Structured Finance and Investor Services

Brian Clarkson

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2007 Operating Plan

Public Finance, Global Structured Finance and Investor Services

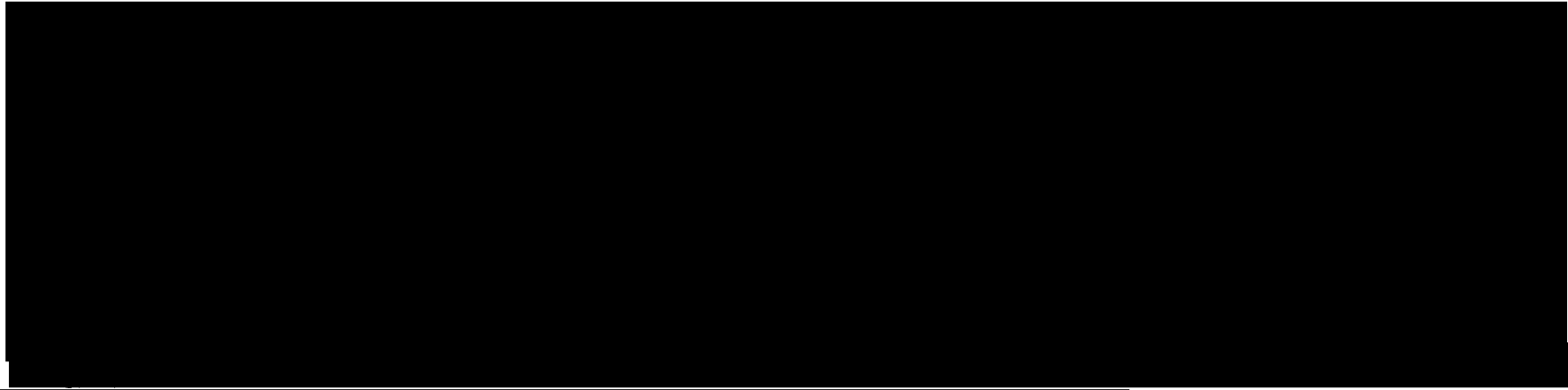
Brian Clarkson

February 20, 2007

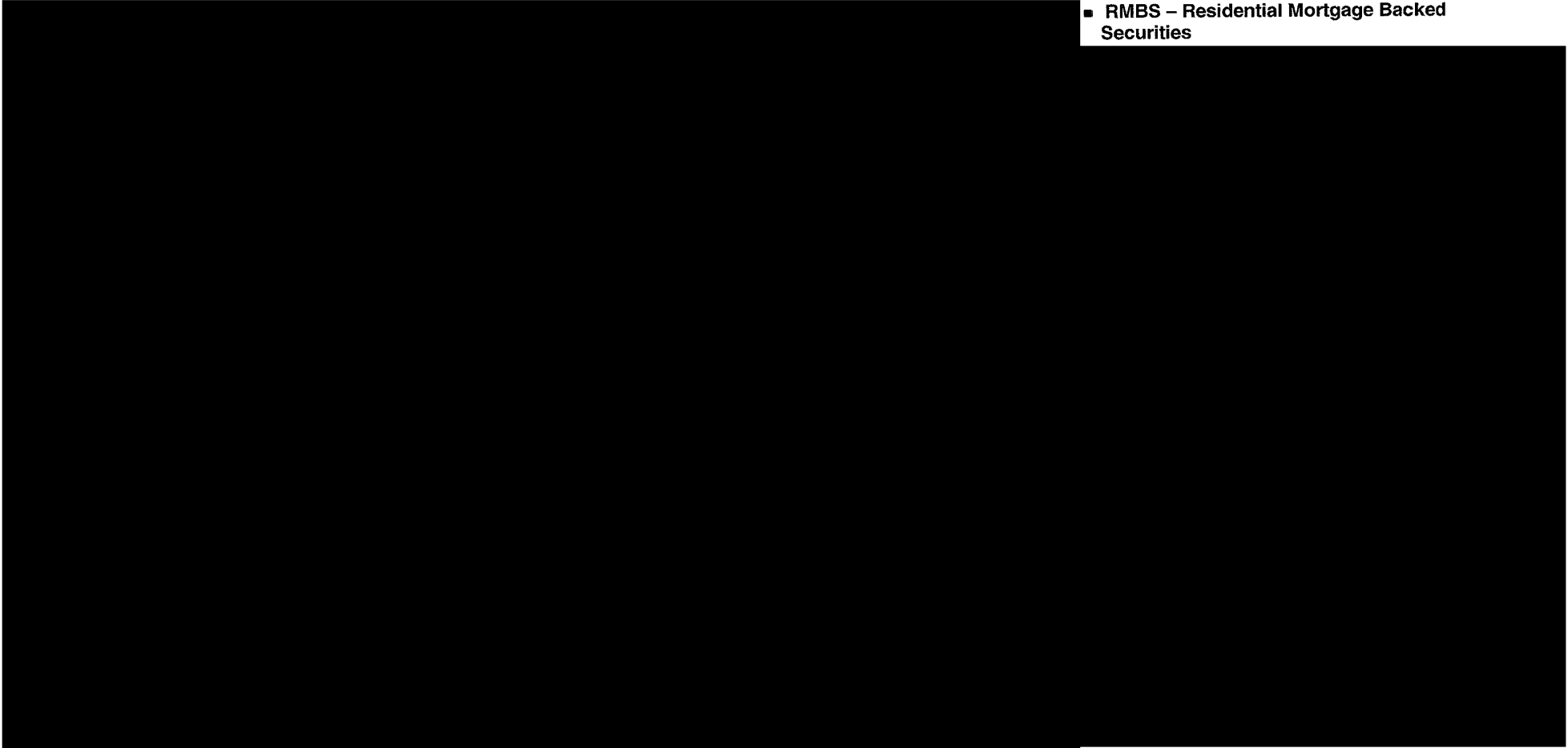


Moody's Investors Service

Glossary




■ RMBS – Residential Mortgage Backed Securities





2006 Overview



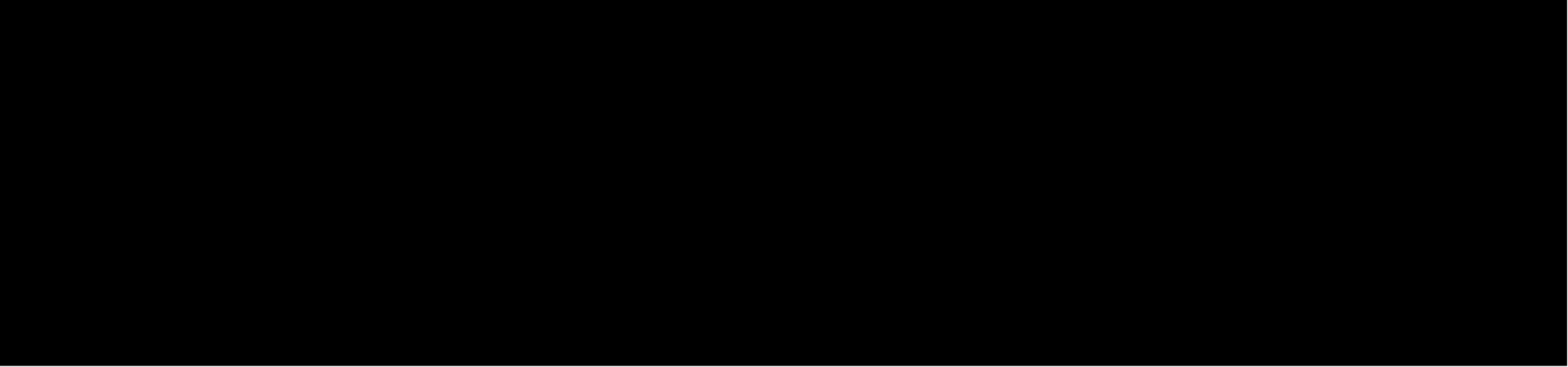
- Issuance exceeded our expectations in almost all sectors especially in US RMBS,
- 

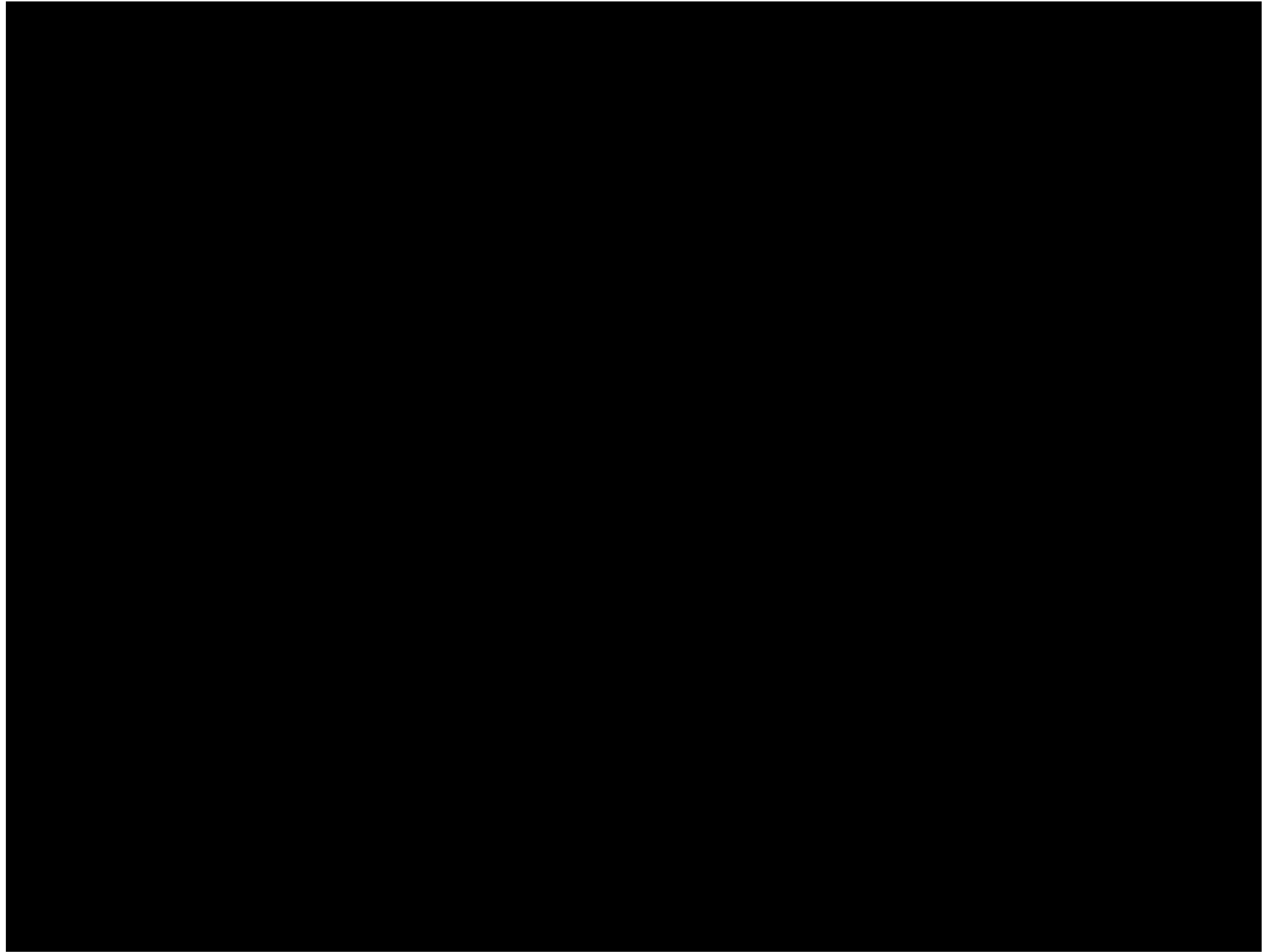


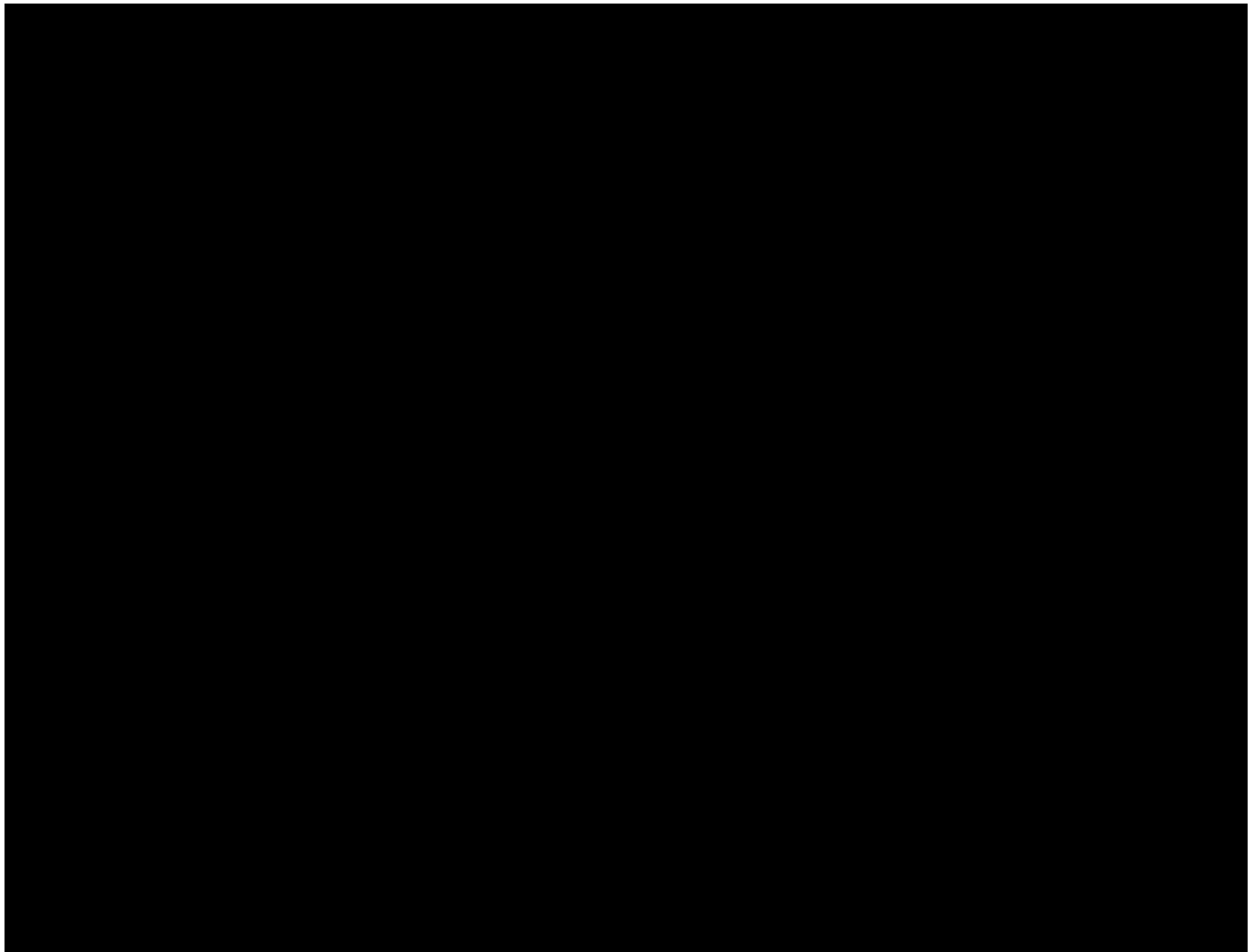
2006 Global Unanticipated Growth

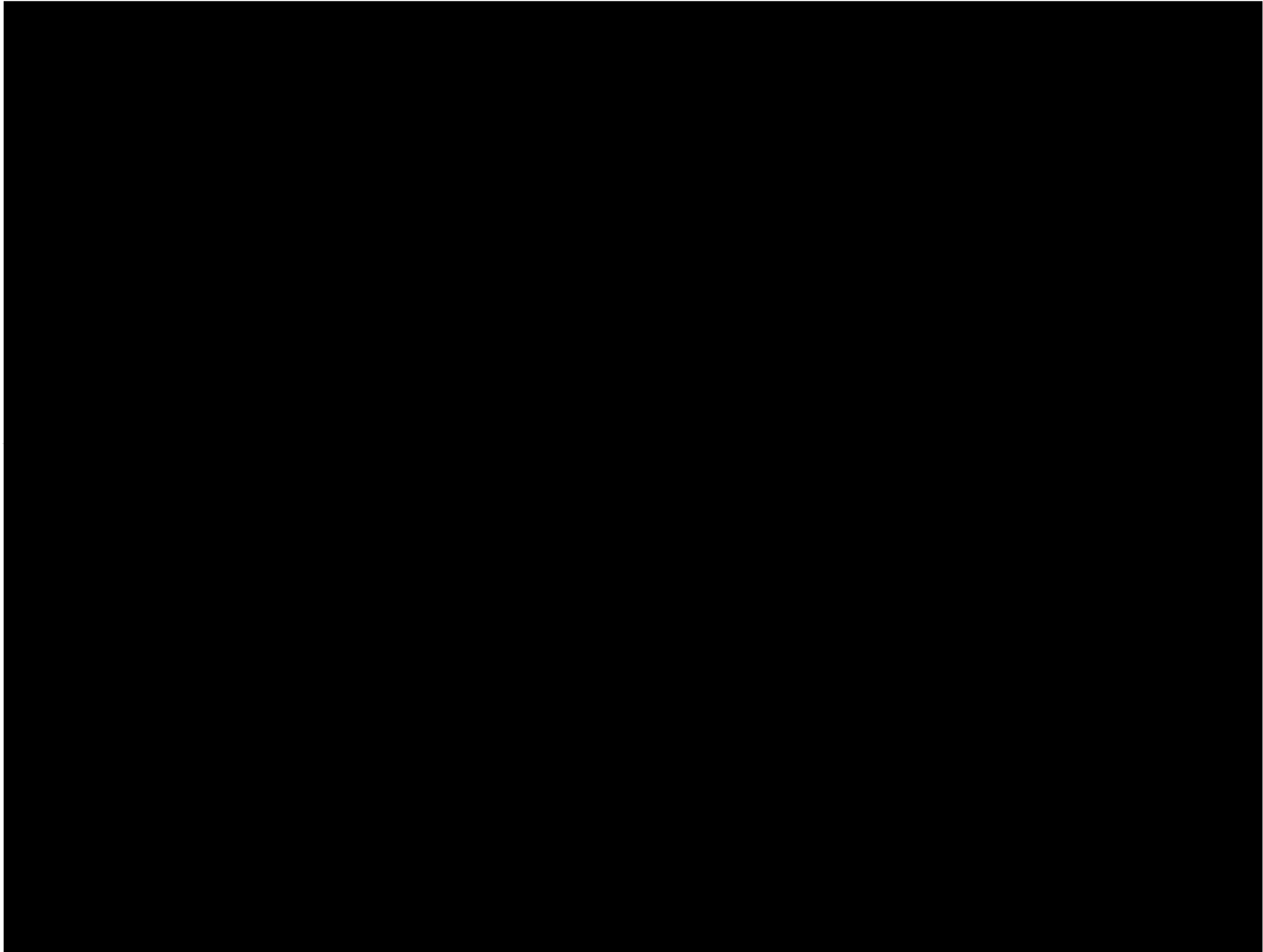


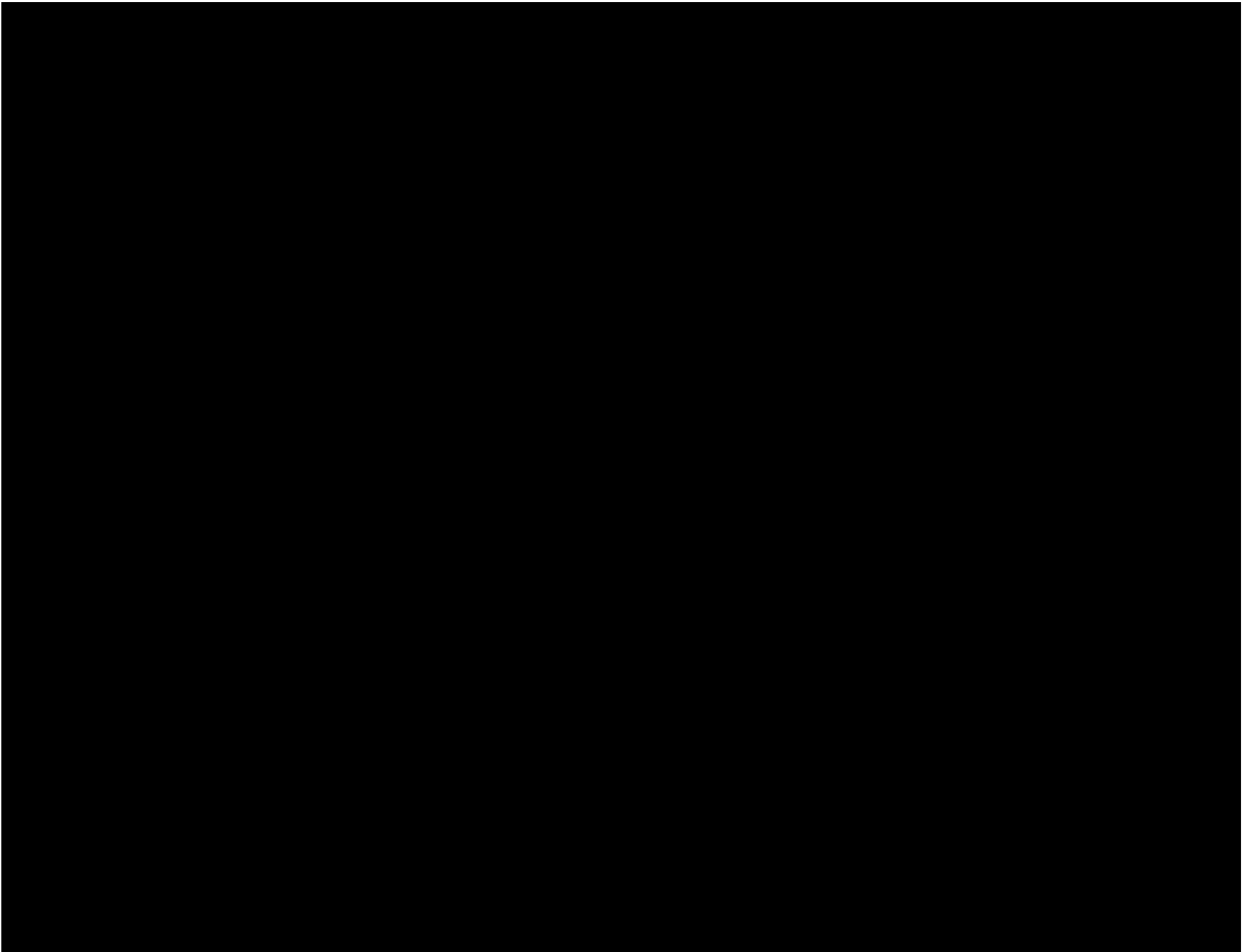
- Increased issuance of US Cashflow CDOs backed by RMBS and ABS
- 

- Higher than expected RMBS issuance, especially in the Home Equity sector, with a shift towards transactions subject to higher fees
- 









Projected Issuance*

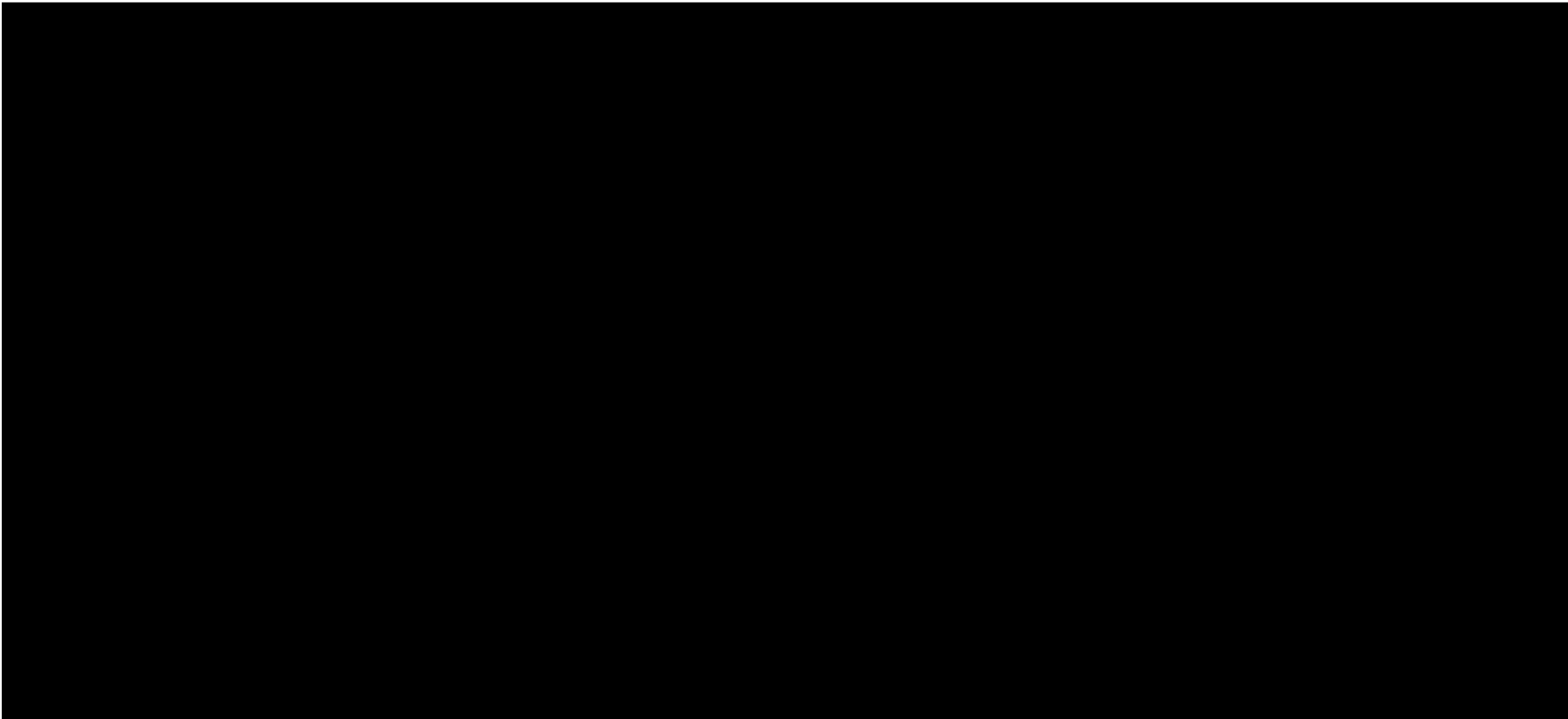
2006 Moody's and Street Projections vs. 2006 Actual Issuance

	2006 Projected %		2006
	Moody's	Street	Actuals
[REDACTED]			
RMBS	-15%	-17%	-4%

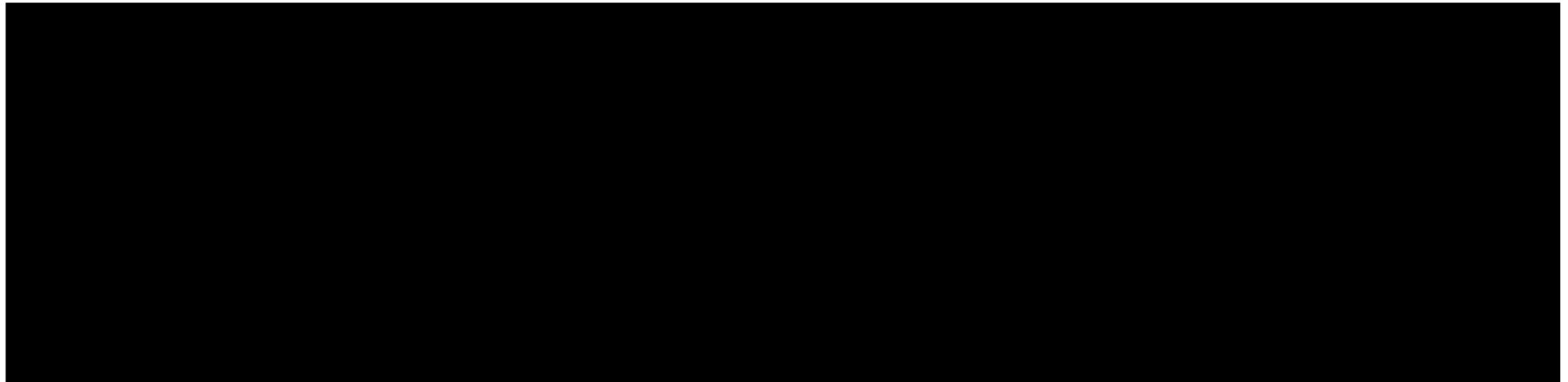
2007 Moody's and Street Projections

	2007 Projected %	
	Moody's	Street
[REDACTED]		
RMBS	-8%	-9%

2007 Assumptions



- Modest decline in RMBS issuance



**Public Finance, Global Structured Finance
and Investor Services**

2007 Contribution Drivers

- Decline in RMBS issuance

Opportunities for 2007 - Upside

- Continued product development in the mortgage market including new loan types, covered bonds by US companies, and synthetic RMBS transactions

Challenges for 2007 - Downside

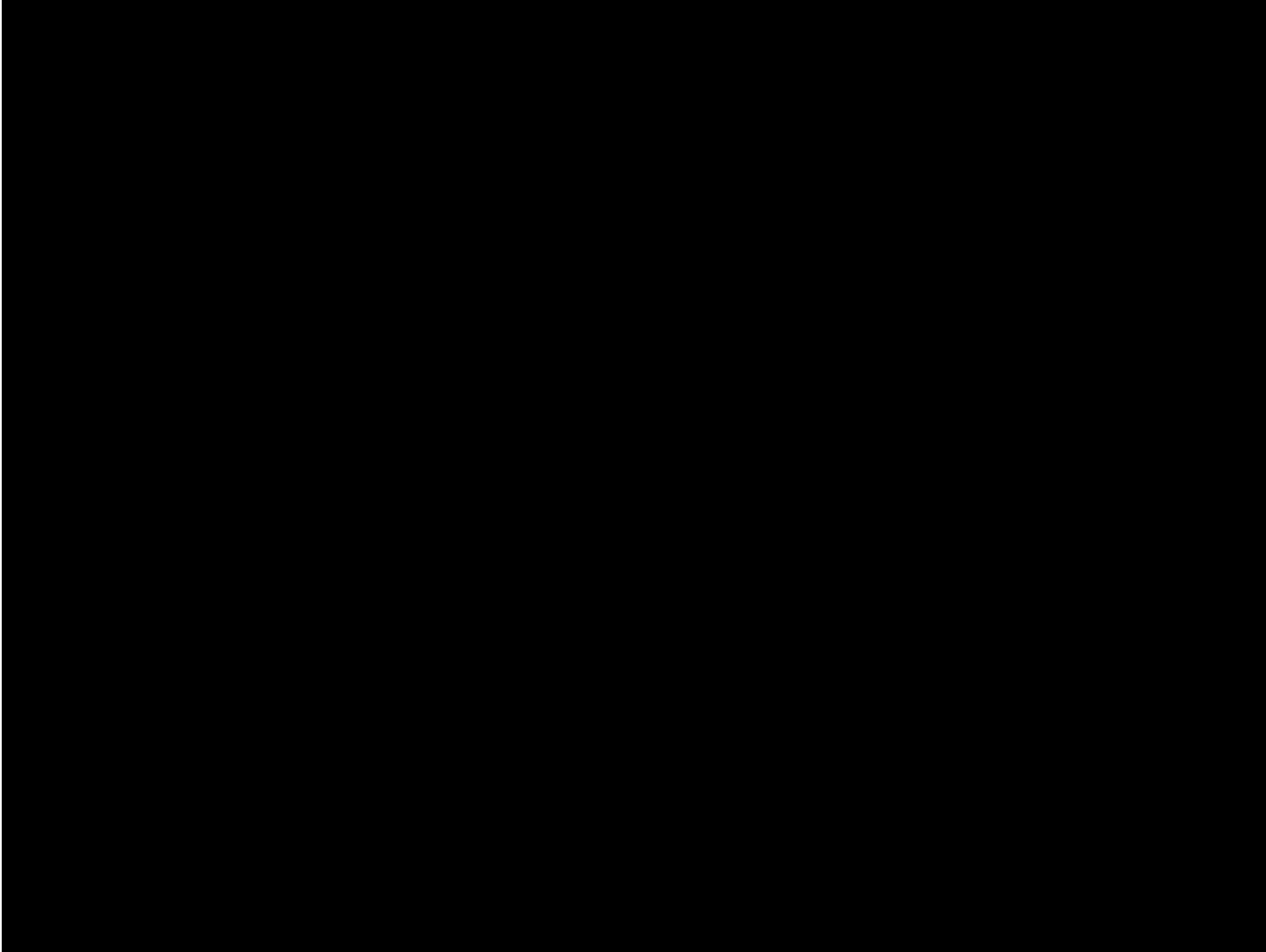
- Greater than expected decline in RMBS issuance due to expansion of GSE activity, declining home values which may limit refinancing activity, and issuer consolidation

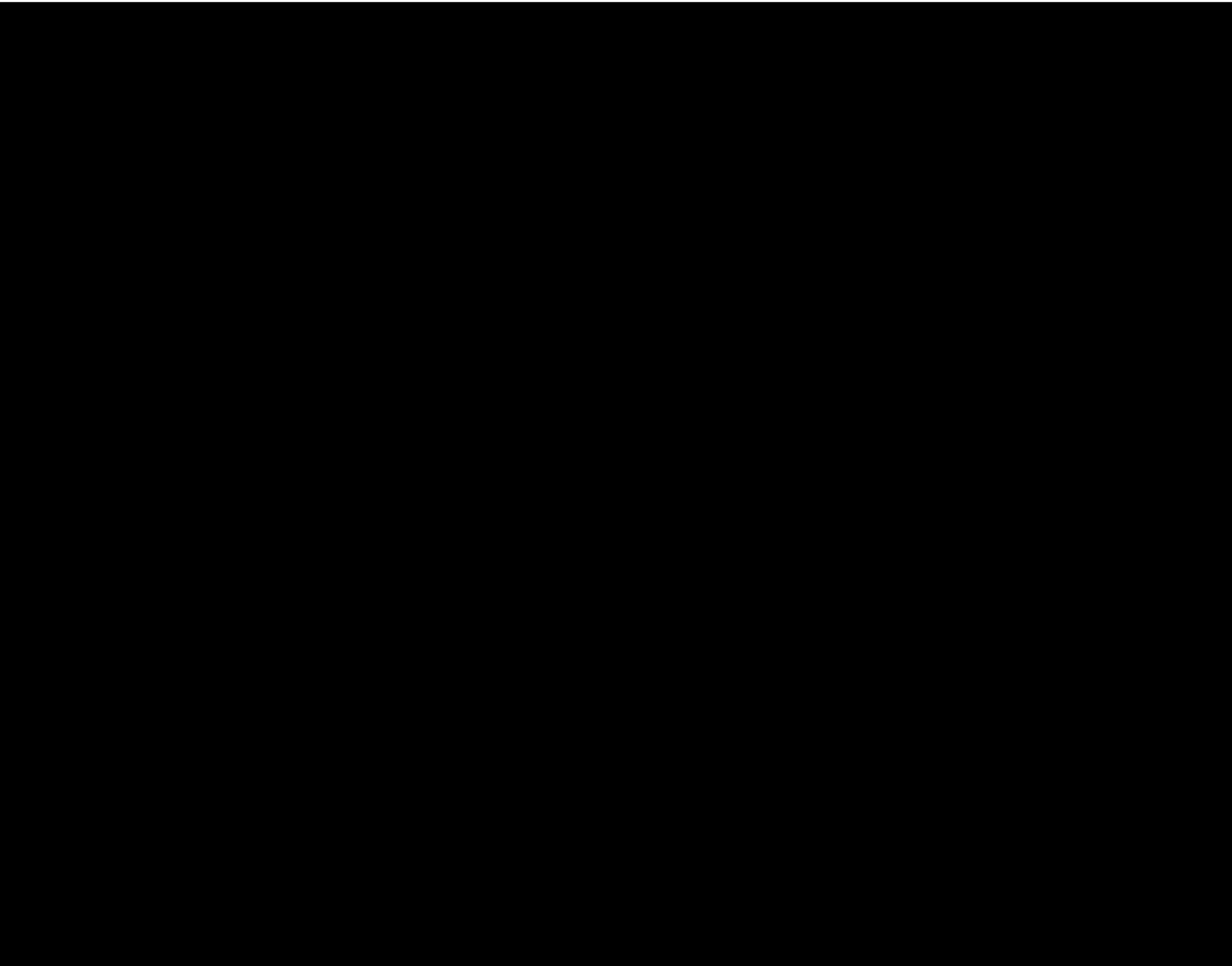
- Credit stress or greater than anticipated issuance decline in US RMBS or US corporate loan sectors leads to decreased US CDO issuance or greater issuance of synthetic transactions

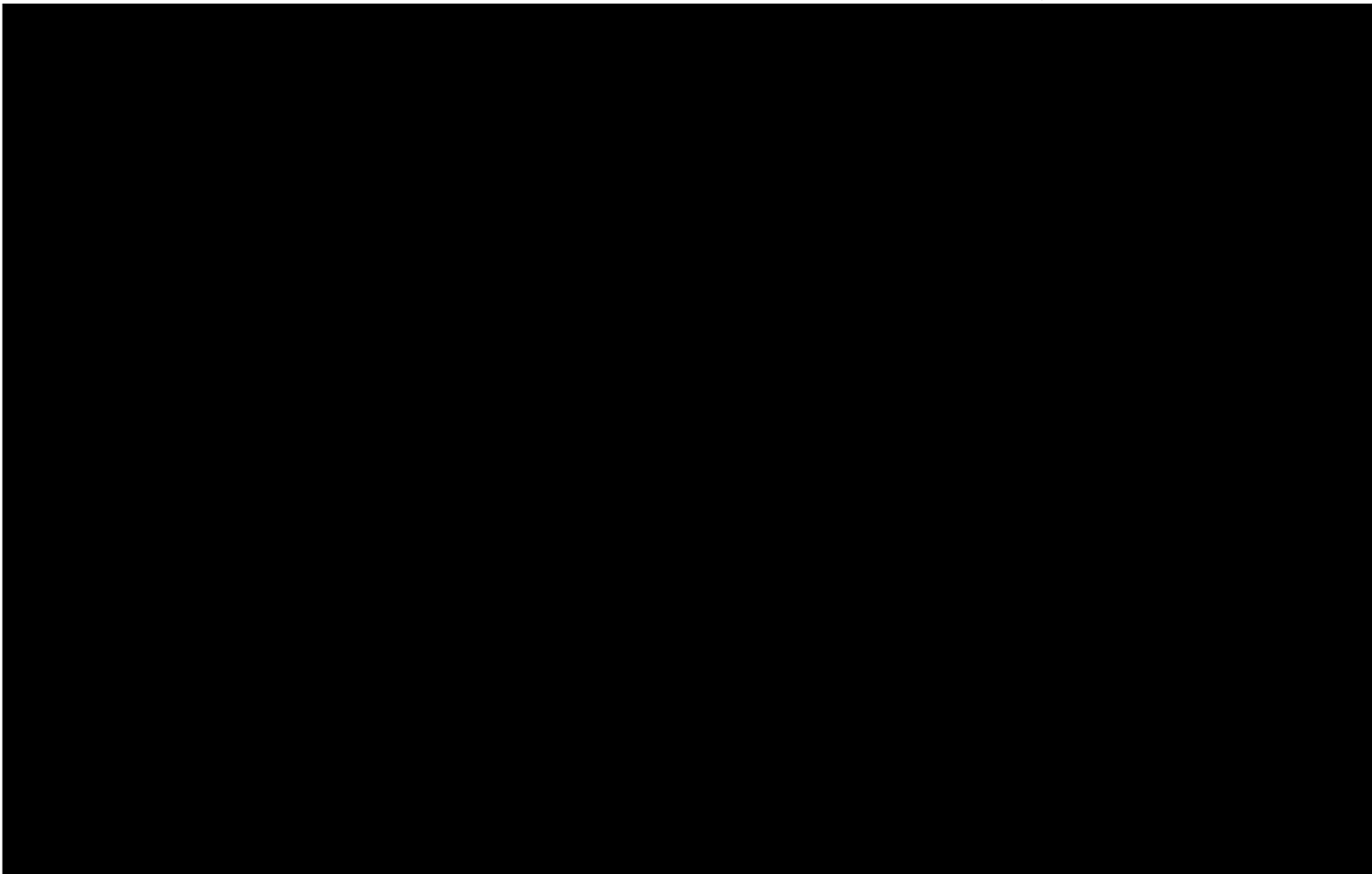
- Higher than expected rating transition in Home Equity and RMBS



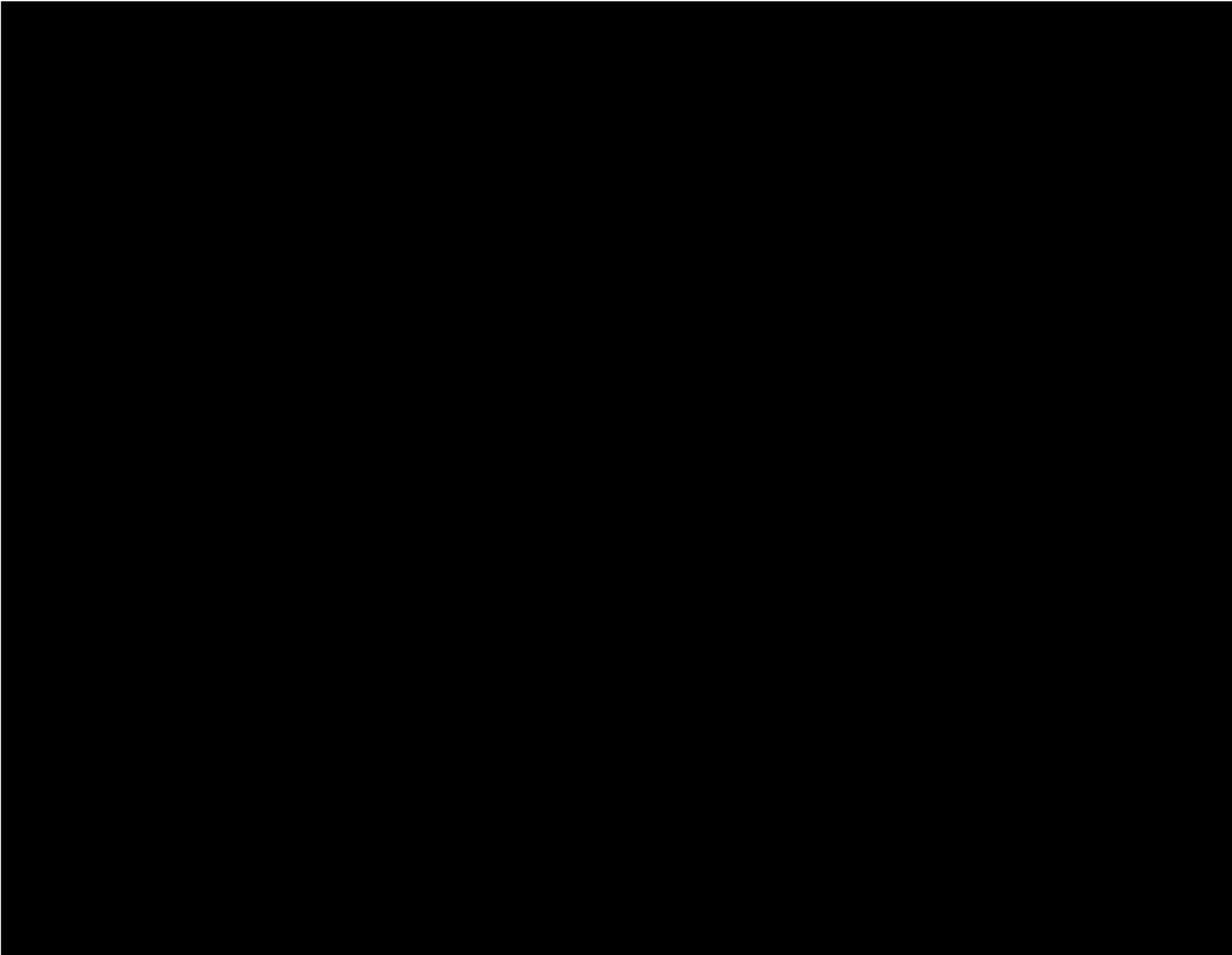
Moody's Investors Service

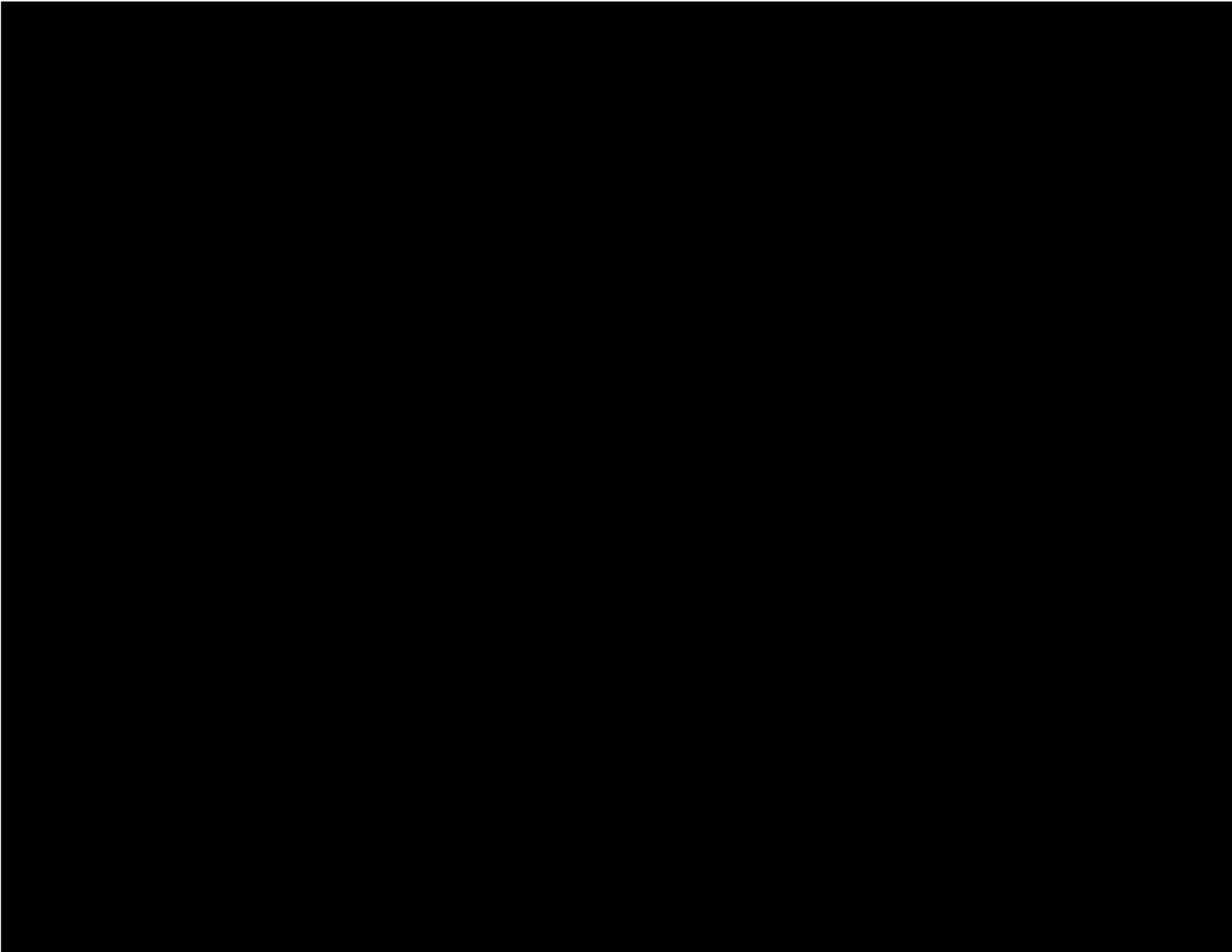


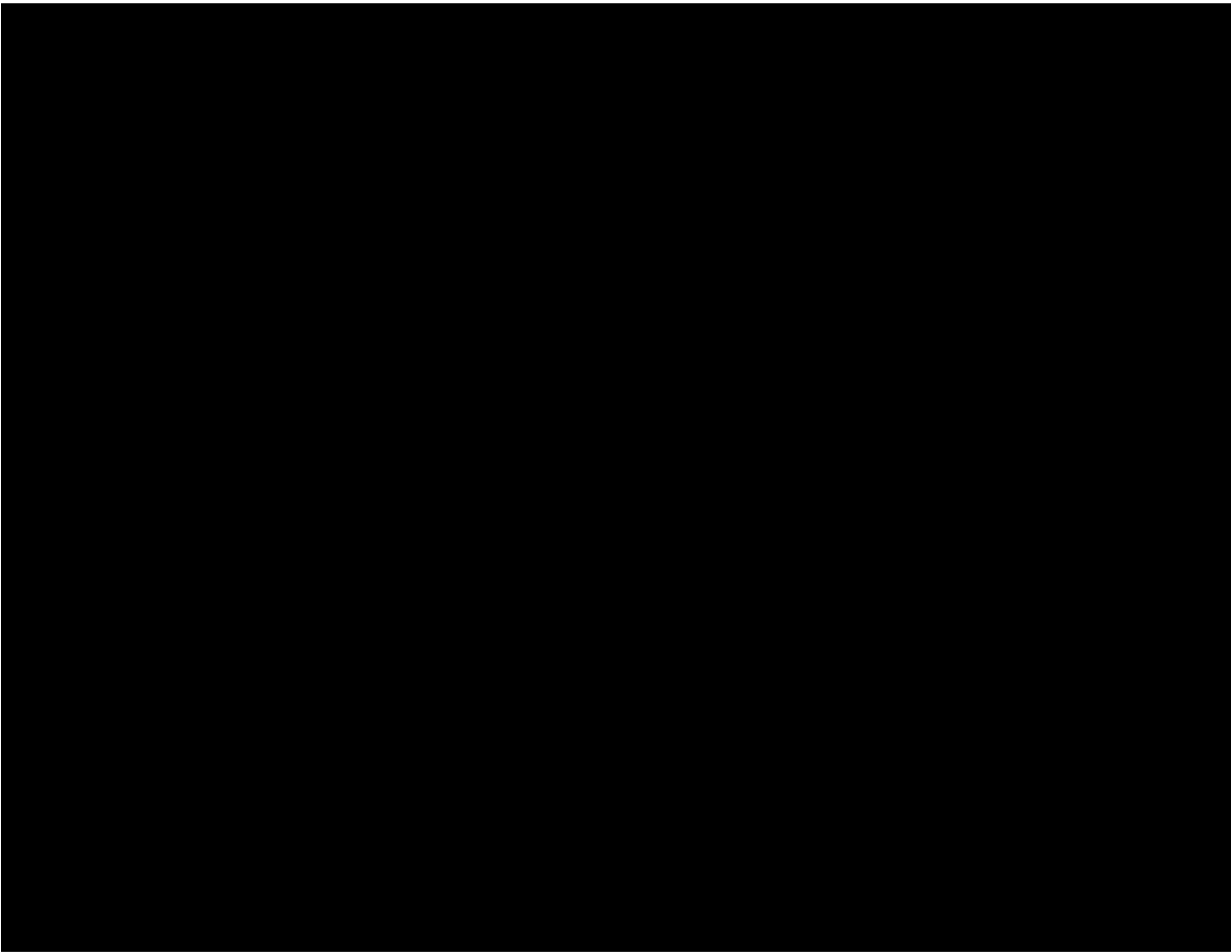


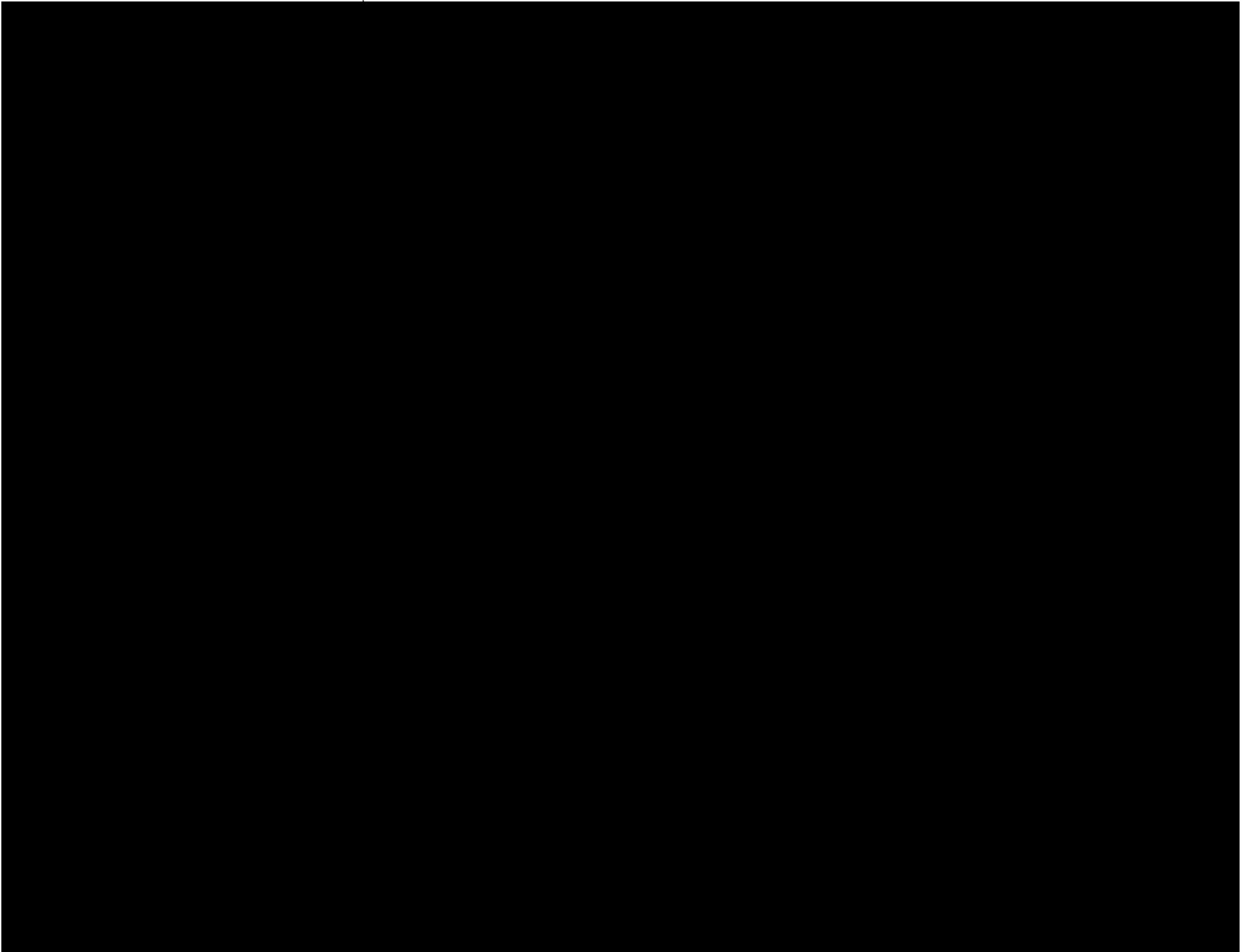


Moody's Investors Service

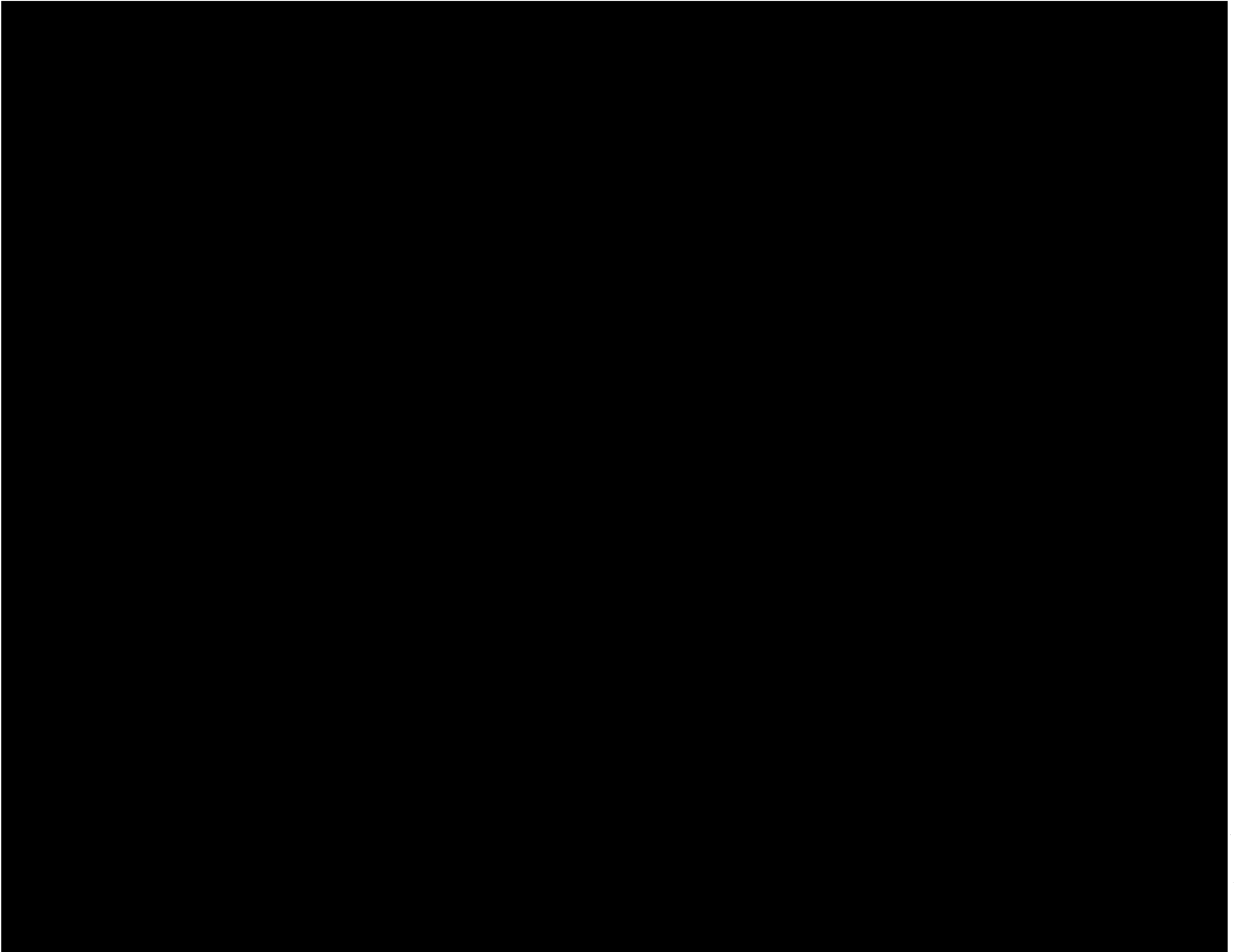


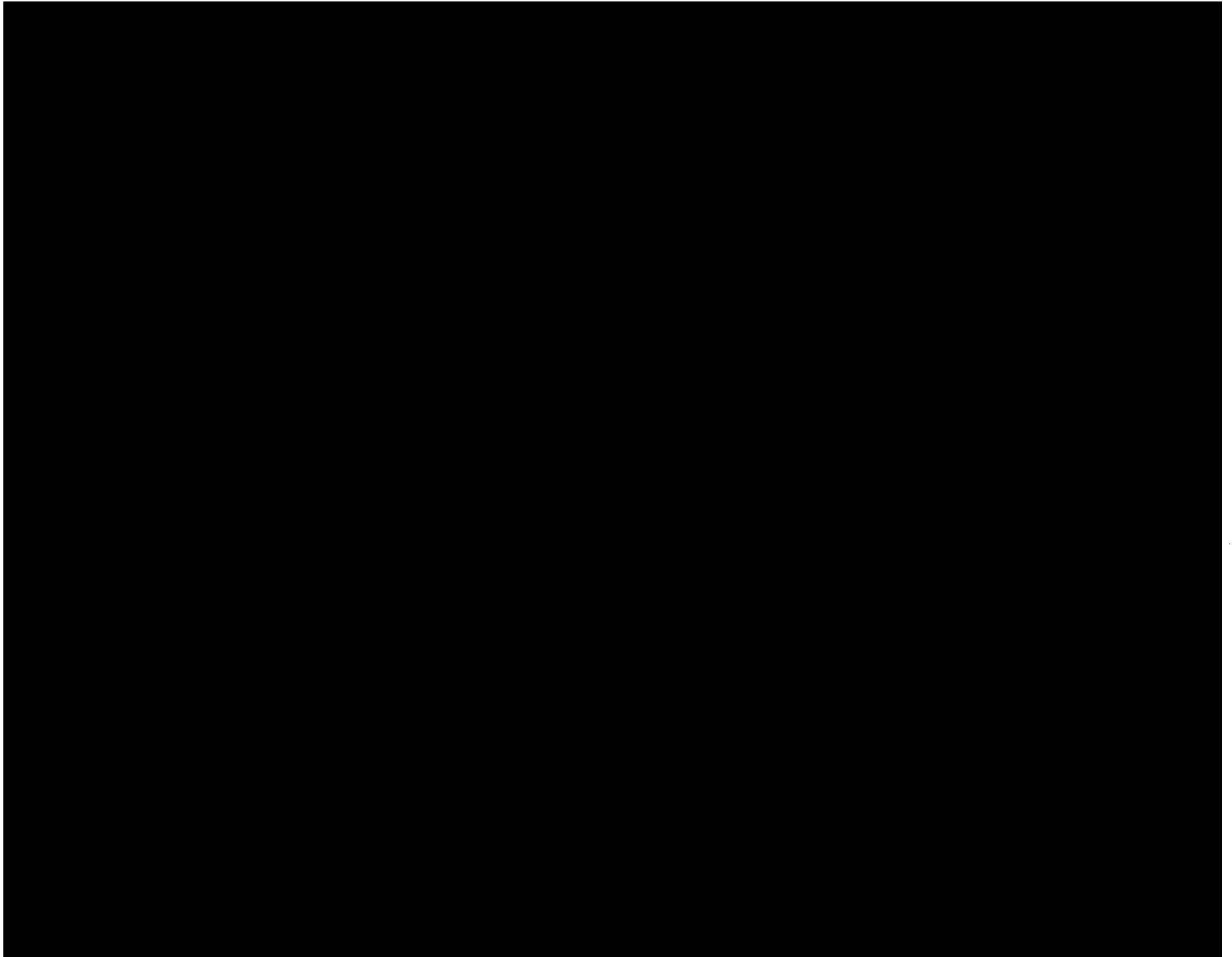


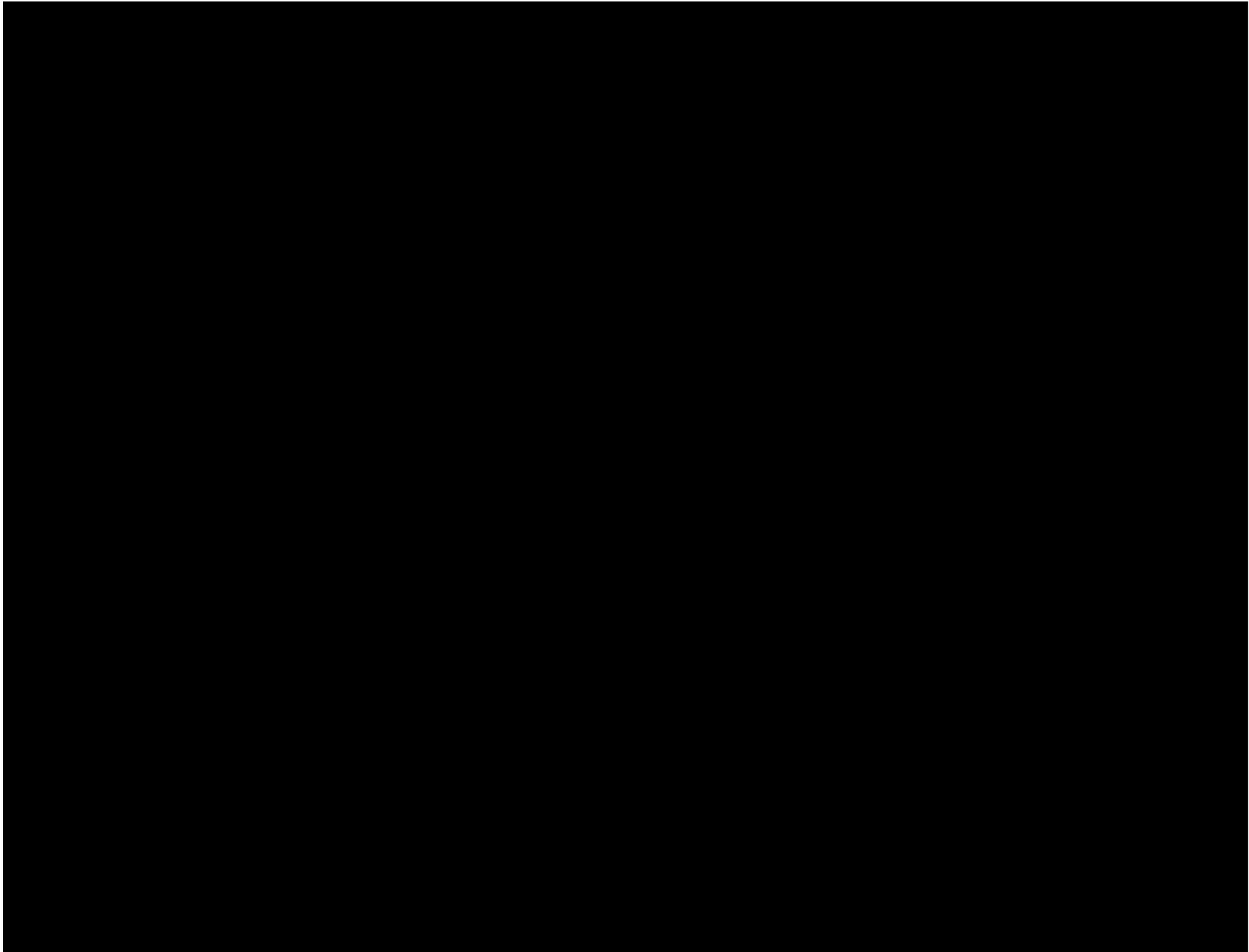















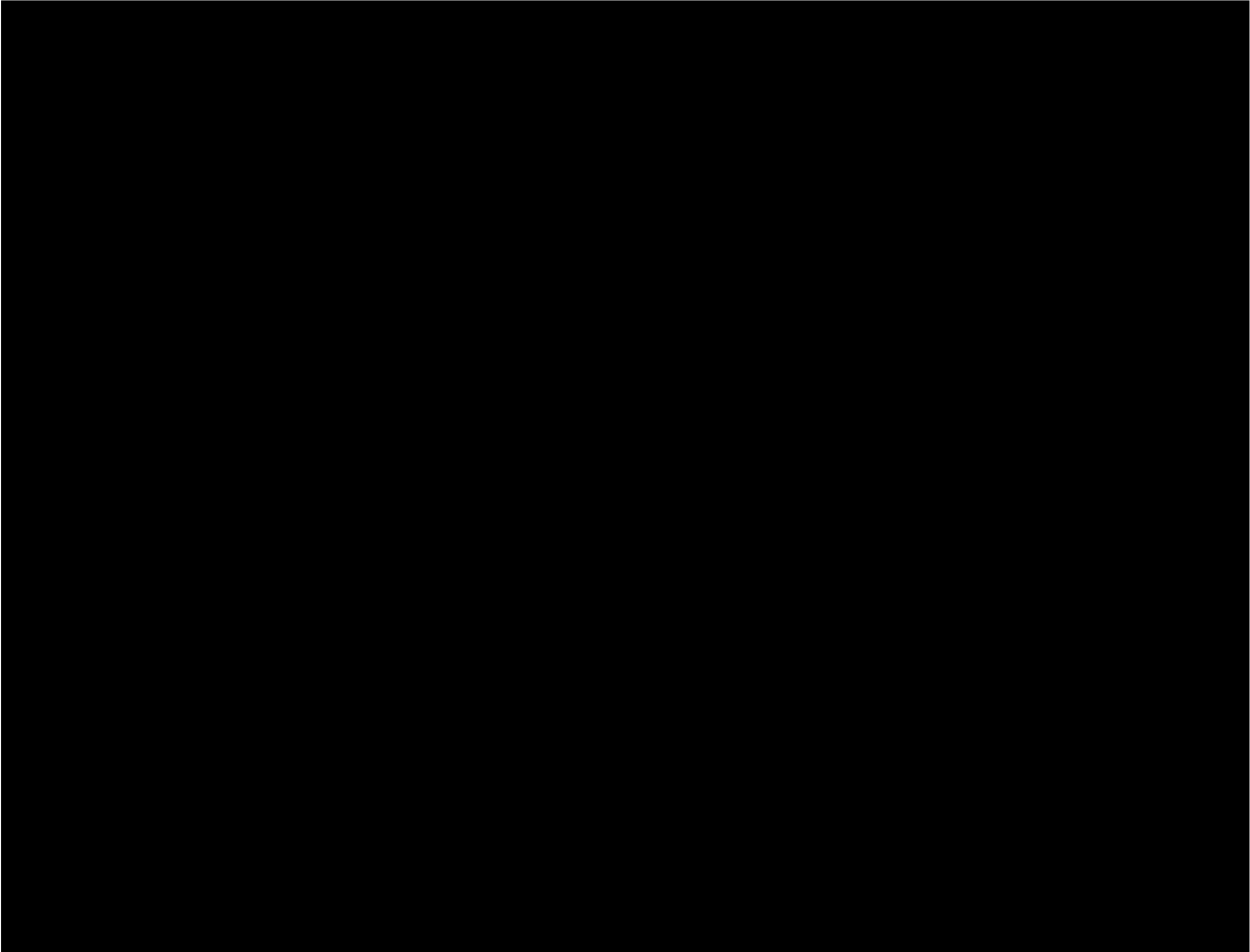
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and Investor Services**



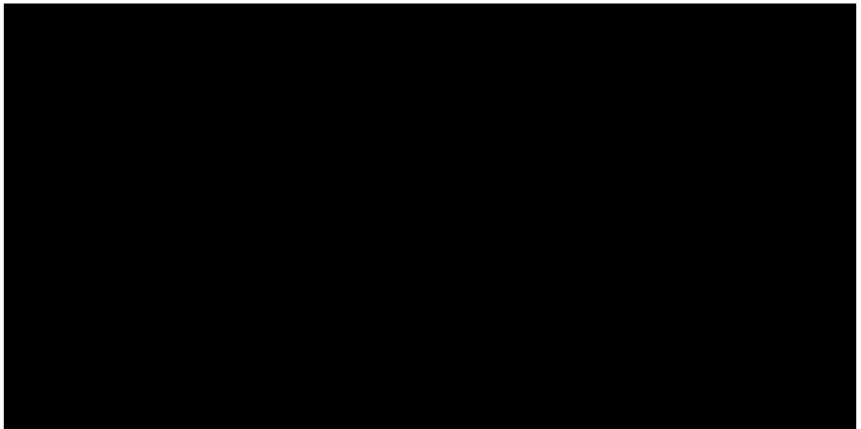
2007 Outlook

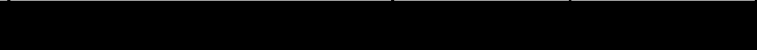


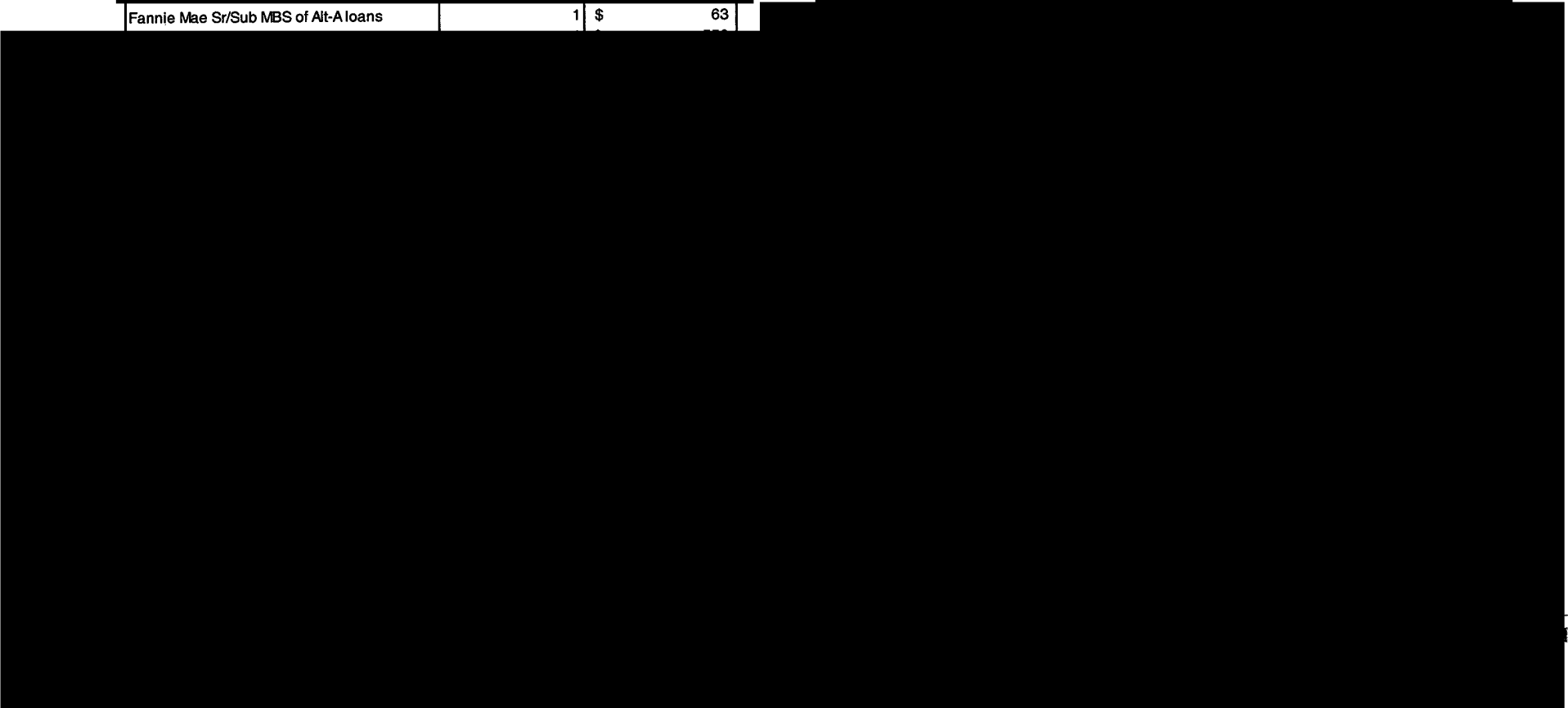
- 
- Revenue growth slows because of decline in RMBS issuance

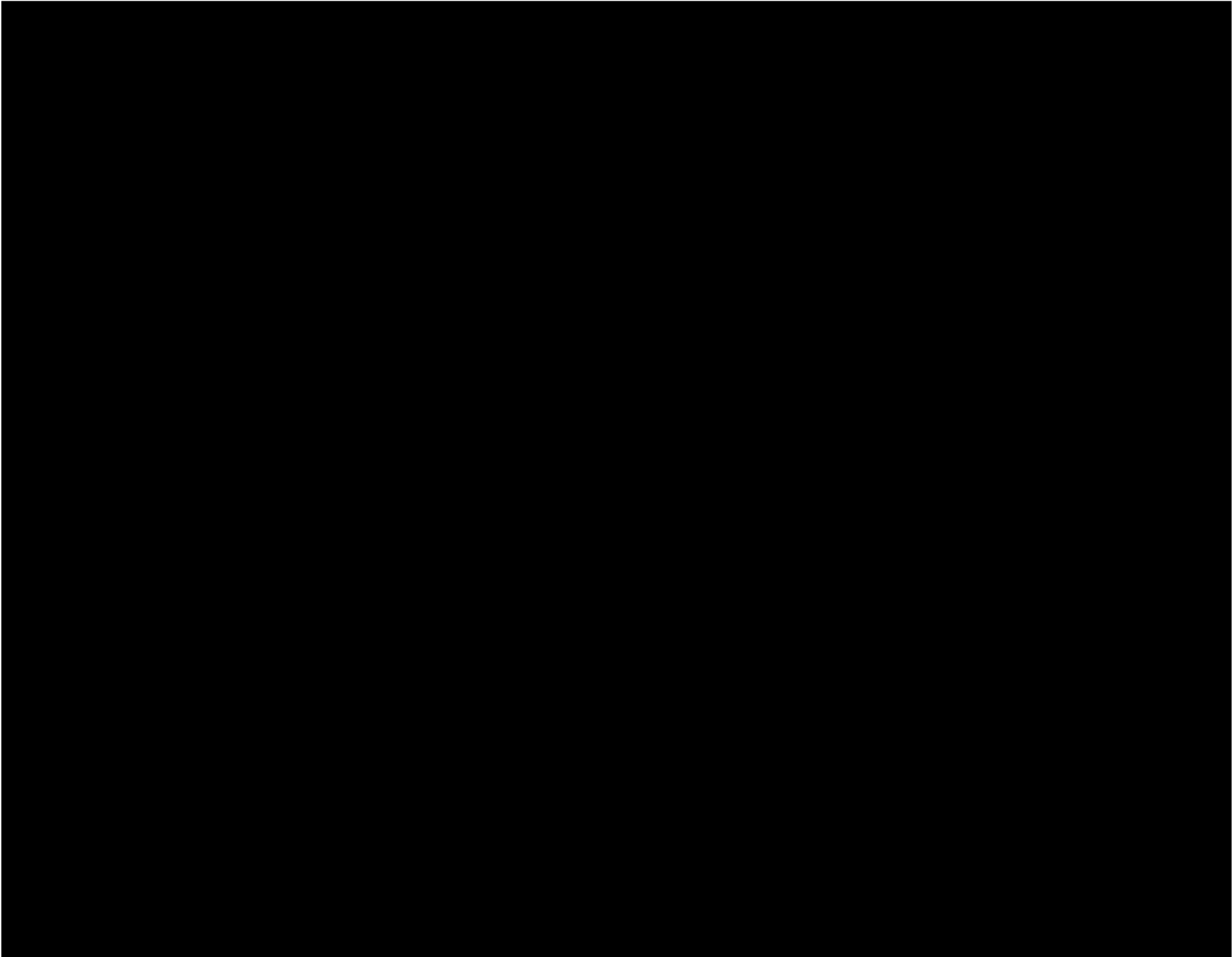


New Rating Products



	Estimated Number of Deals	Estimated Fee ¹ (Revenue \$000s)
<u>US AFG</u>		
		
Fannie Mae Sr/Sub MBS of Alt-A loans	1	\$ 63





2007 Street Structured Finance Volume Projections

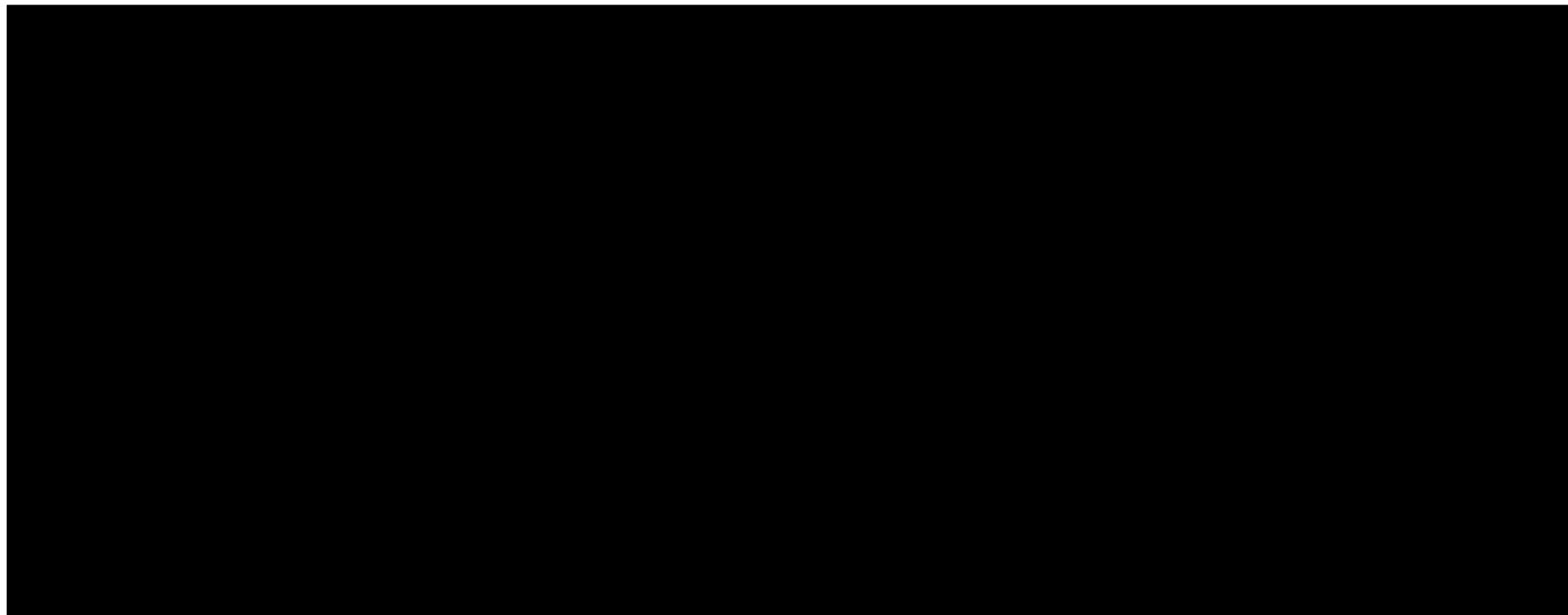
	US ABS (Excluding HE)	Home Equity	RMBS	US CMBS	Non-US CMBS	European ABS	US CDO	Muni Bonds	ABCP
Lehman	14%	-18%	-23%	9%	3%			-2%	
Citigroup	4%	-11%	-5%	33%	17%	29%	26%		15%
Deutsche	3%	-8%	-13%	7%	22%	15%	10%		
Bear Stearns	8%	-14%	-10%	21%	8%		25%		
Goldman			-2%	21%	40%				7%



Moody's Investors Service



CDO Issuance Volumes for 2006 Continued to be Strong both in the US and Globally



- Strong historical performance by CLOs and record issuance of RMBS and Home Equity into Resecuritization CDOs were the main drivers of the growth in these two leading CDO sectors

