Fixed Income, Currencies and Commodities
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Group Head

Macquarie Group Limited
Operational Briefing
8 February 2011 – Presentation to Investors and Analysts
FICC offers a broad range of products, services and clients

**Markets**

- Credit – high yield and investment grade
- Foreign exchange
- Interest rates
- Debt capital markets
- Electricity/power
- Natural gas
- Crude oil and products
- Environmental products
- Pulp and paper
- Metals and mining
- Agriculture
- Ethanol
- Shipping, coal and freight

**Products**

- Exchange-traded futures
- Over-the-counter hedging
- Financial swaps and options
- Physical supply and purchase transactions
- Equity and asset investments
- Commodity-linked finance
- Customised solutions

**Capabilities**

- Market maker
- Liquidity providers
- Physical markets
- Fundamental analysis
- Risk management expertise
- Research
- Asset management
- Asset acquisition
- Operational expertise
- Reserve base expertise and technical knowledge
- Securitisation

**Clients**

- Producers
- Consumers
- Refiners
- Transport sector
- Distributors
- Traders and marketers
- Financial institutions
- Hedge funds
- Investment managers
- Banks

= examples of new markets
FICC has consistently evolved

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>1980s</td>
<td>Started commodities platform</td>
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<tr>
<td>1999</td>
<td>Bankers Trust acquisition</td>
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<td>Metals and Energy Capital</td>
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<td>Ag Derivatives</td>
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<td>Ag Commodities and Derivatives Brazil</td>
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<tr>
<td>2001</td>
<td>Ag Structured Finance – finance into small and medium sized producers</td>
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<td>2002</td>
<td>Metals and Energy Capital (natural gas)</td>
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<td>2003</td>
<td>Acquisition of Cook Inlet</td>
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<td>Emerging markets distribution and origination platform</td>
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<td>2005</td>
<td>Commodity Investor Products Business</td>
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<td>Ethanol Trading JV</td>
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<td>2006</td>
<td>Established Macquarie Futures USA</td>
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<td>Physical Power Business (Houston)</td>
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<td>2007</td>
<td>Environmental Product Trading</td>
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<td>Credit Trading</td>
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<td>Physical coal trading</td>
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<td>Acquisition of Shatkin Arbor</td>
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<td>2008</td>
<td>Purchase Integrys wholesale electric marketing and trading portfolio</td>
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<td>Physical oil trading</td>
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<td>2010</td>
<td>Formation of Macquarie Energy power and gas trading and marketing</td>
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<tr>
<td>2011</td>
<td>Merged FX and debt divisions to form Fixed Interest &amp; Currencies division</td>
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- ~190 staff (pre Bankers Trust acquisition)
- ~420 staff (pre Cook Inlet acquisition)
- ~1,000 staff
Continue to build upon a cycle-resilient portfolio of businesses – recent growth initiatives include:

- Establishment of FICC’s Asian regional hub in Singapore comprising new Asian Markets business (Asian rates, currencies and credit)
- Transformation from Sydney based, 24-hour currency service provider to global business with hubs in Sydney, New York, London and Singapore
- Continued build of US credit sales capability with the addition of a commercial mortgage finance and commercial mortgage-backed securities team in New York
- Expansion of credit trading offering into Europe
- Expansion of repo, rates and credit offering to include European emerging markets
Established regional hubs with full functionality and support
~ 1,000 staff in 25 locations and in 14 countries globally

**EMEA**
- LONDON HUB
  Dec 09 headcount: 132
  Dec 10 headcount: 166
  - Full complement of commodities offering, including a presence in the Middle East
  - Futures clearing and execution
  - Building up coverage of financials (rates, currencies, credit)

**AMERICAS**
- NEW YORK HUB
  Dec 09 headcount: 133
  Dec 10 headcount: 179
- HOUSTON ENERGY HUB
  Dec 09 headcount: 200
  Dec 10 headcount: 208
- plus Canada and Brazil
  - Full complement of services across commodities and financials (rates, currencies, credit)
  - Increasing reach into institutional clients

**ASIA**
- SINGAPORE HUB
  Dec 09 headcount: 6
  Dec 10 headcount: 61
  - Recently completed phase 1 build out
  - Asian Markets offering Asian credit, rates and currencies
  - Singapore bank branch licence imminent
  - Korean bank branch licence now includes OTC derivatives
  - Next bank licence is India
  - Others to follow

**AUSTRALIA/ NEW ZEALAND**
- Full complement of services
- Australia specific offerings in debt, securitisation and futures
- Central services

< 30% of staff are located in Australia
### Regional growth initiatives

<table>
<thead>
<tr>
<th>EMEA</th>
<th>Asia</th>
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</table>
| - Continued expansion of credit trading offering including major and emerging markets  
- Establishment of a presence in the Middle East | - Continued development of FICC’s regional hub in Singapore  
- Extension of agricultural OTC, energy OTC and physical oil  
- Extension of Macquarie Bank Limited Seoul Branch |

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<tr>
<th>Americas</th>
<th>Australia</th>
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| - Credit Trading addition of commercial mortgage finance and commercial mortgage-backed securities business  
- Macquarie-wide integrated team approach to energy clients  
- Obtained ICE US membership allowing futures clearing | - Continued transformation from Sydney based, 24-hour currency provider to a global business with hubs in Sydney, New York, London and Singapore |
Focus on growth opportunities in Asia:

- FICC has well established businesses in Australia, the US and the UK.
- To date FICC’s presence in Asia has centred around select physical and financial commodity plays:
  - Energy markets
  - Agriculture
  - Physical oil
- The establishment of the Asian Markets business in 2010 represents a significant investment in the region and an important step in completing FICC’s global product and service offering.
### FICC Asia – select commodities offering

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<tr>
<th>Agriculture</th>
<th>Energy Markets</th>
<th>Physical Oil</th>
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</table>
| - Global reach, local expertise  
- OTC risk management and tailored customer solutions  
- Focus on corporates in Asia for:  
  - grain/oilseed (wheat, canola, corn, soybean)  
  - sugar (raw and refined)  
  - cotton  
  - coffee, cocoa  
  - palm markets  
- Specialists in agricultural commodity financing | - Global presence in energy derivatives  
- Cash-flow hedging solutions in:  
  - individual crudes and refined products  
  - oil index-linked LNG  
  - pipelines gas formulae  
  - baskets of energy price risk  
- Hedging instruments include both vanilla and exotic products | - Global strategy with an Asian focus  
- Term storage contract and crude supply agreements with some of the largest Asian refineries  
- Core trading relationships in Singapore, Korea, China, Japan, India and Australia  
- Traditional crude/product sourcing and off-take  
- Associated financing of inventory in-tank or on-water  
- Embedded price risk management solutions |
Growing FICC’s Asian presence rounds out Macquarie’s platform in Asia

MACQUARIE PLATFORM IN ASIA

- Equity Markets
- Bond Markets
- Equity Capital Raising
- Debt Capital Raising
- M&A Advisory
- Equity derivatives
- Interest rate derivatives
- Commodity derivatives (+ select physical commodity trading)
- Currency derivatives and spot FX
- Futures market access

SUPPORTING RESEARCH AND ANALYTICS

INSTITUTIONAL INVESTORS INTO ASIA
- Mutual funds
- Pension funds
- Hedge funds
- Banks
- Insurance companies

CAPITAL RAISING
- Asian corporates
- Asian projects
- Asian government bodies

TRANSFER RISK
- Asian corporates/entities with exposure to:
  - Currencies/international trade
  - Commodities
  - Interest rate risk
Asian Markets is a risk and client focussed business across asset classes and countries

- Access to Asian rates, credit and currencies to pension funds, hedge funds and other institutional investors
- Covering all key countries in Asia
- Supported by branches in Korea, and soon in Singapore and Hong Kong and complemented by Macquarie securities licences across Asia
The Asian Markets capabilities

- Offering access to Asian rates, credit and currencies to pension funds, hedge funds and other institutional investors interested in Asia
- Solution led approach providing active trading support to clients

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<tr>
<th>Foreign Exchange</th>
<th>Interest Rates</th>
<th>Credit</th>
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<tr>
<td>Spot and Forwards</td>
<td>Interest rate swaps</td>
<td>Local currency and G3 Asian corporate bonds – high yield and investment grade</td>
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<tr>
<td>Non-deliverable forwards</td>
<td>Interest rate options</td>
<td>Private debt</td>
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<tr>
<td>Currency options</td>
<td>Cross currency swaps</td>
<td>Credit default swaps</td>
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<tr>
<td>FX strategy</td>
<td>Corporate risk management solutions</td>
<td>Total return swaps / credit linked notes</td>
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<td>Structured products</td>
<td>High yield debt capital markets</td>
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<td>Rates strategy</td>
<td>Credit strategy</td>
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Asian Markets – product offering

**Credit**
- Secondary trading in Asian investment grade bonds covering sovereigns, quasi-sovereigns, corporates and financial institutions
- Active price makers in select investment grade bonds and Asian sovereigns
- Secondary trading in Asian high yield bonds focusing on China and resource centric issuers in Indonesia

**FX & Interest Rates**
- Active price maker in all 10 Asian currencies specialising in KRW, INR, CNY, MYR, TWD and THB¹

¹ THB in interest rates only.
Macquarie’s debt platform in Asia

- Macquarie’s Equity Capital Markets offering has always been integral to our platform in Asia
- Macquarie’s debt capital markets and private syndicated loans offerings will add to the strength of the platform
- FICC Asian Markets enhances Macquarie’s debt offering via:

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<th>Private Syndicated Loans</th>
<th>Investment Grade and High Yield Bonds</th>
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<td>- Originate, structure and distribute private loans with a focus on Greater China, India and Indonesia</td>
<td>- In conjunction with Macquarie Capital, originate, structure and distribute investment grade and high yield bonds with a focus on Greater China and Indonesia</td>
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<td>- Companies in a high growth phase with limited access to traditional sources of capital</td>
<td>- Primary focus on high yield bonds but may include investment grade issuances from time to time</td>
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<td>- Co-invest alongside other investors in most of the transactions</td>
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<td>- Leverage Macquarie’s strength in natural resources and infrastructure in offering this product</td>
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FICC has transitioned to a truly global platform

- Significantly completing our regional coverage
- Recruited an experienced Asian markets team and grown our Asian footprint
- Rounded the Macquarie Group Asian offering and complement FICC’s global offering
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