



MACQUARIE

Fixed Income, Currencies and Commodities (FICC)

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Macquarie Group Limited

Operational Briefing

5 February 2013 – Presentation to Investors and Analysts



Overview

- FICC is a diverse portfolio of businesses which has evolved via a strategy of building adjacencies from core businesses
- The platform is weighted more heavily towards commodities compared to peers
- Consistently good returns, even in down markets
- The ability to adapt, a diverse portfolio and stable leadership underpin FICC's consistent performance
- The platform has evolved to a stage where positional advantages across the portfolio will continue to generate attractive returns (e.g. scale, client relationships, physical capabilities)
- Adapting to meet structural changes (mainly regulatory) occurring across the industry
- A number of new initiatives will drive growth: Commodity Investor Products, offering some of our trading capabilities to third party investors, Asia, platform efficiencies/cost reductions

FICC's proven ability to execute, stable management, and ability to evolve suggest that it will continue to generate attractive and consistent returns for Macquarie



FICC is a portfolio of businesses across commodity and financial markets

COMMODITY MARKETS

PHYSICAL & FINANCIAL

Ag

Metals

Energy

Metals & Agriculture
Sales and Trading

Energy
Markets

Metals & Energy
Capital

Futures

FINANCIAL MARKETS

PRIMARY & SECONDARY

FX

Rates

Credit

Fixed Income
& Currencies

Credit
Trading

Mainly producer and
consumer customers

Both producer/consumer and
insto/investor customers

Mainly insto/
investor customers



FICC's business is diverse – the platform spans 25+ markets globally

	COMMODITIES			FINANCIAL		CROSS DIVISIONAL	
	Energy	Metals	Agriculture	FX & Rates	Credit	Futures	Central
Capability	<ul style="list-style-type: none"> Sales and trading of physical and financial products across a broad range of commodities Lending and equity investment 			<ul style="list-style-type: none"> Sales and trading of primary and secondary instruments across FX, rates and credit Private lending and corporate credit solutions 		<ul style="list-style-type: none"> Execution and clearing for exchange traded futures 	<ul style="list-style-type: none"> Structured finance, environmental derivatives, regional speciality
Market segments (>25)	<ul style="list-style-type: none"> Natural Gas Crude Oil Coal Electricity Refined Products Petro-chemicals 	<ul style="list-style-type: none"> Precious Metals Base Metals 	<ul style="list-style-type: none"> Grains & Oilseeds Softs Livestock Forest Freight Pulp & Paper 	<ul style="list-style-type: none"> G10 Spot G10 Swaps & Options Interest Rates Swaps 	<ul style="list-style-type: none"> Bonds Leveraged Loans Securitised Assets Private Loans 	<ul style="list-style-type: none"> Market access Membership of all major global exchanges 	<ul style="list-style-type: none"> Cross border structured transactions Energy and agricultural finance Environmental derivatives
# Products (>140)	46+	15	40	22	7	4	5+
Key operating regions	US, UK, Canada, Australia, Asia	UK, Australia, Canada	US, South America, UK	Australia, Asia, US	US, Australia, UK	Australia, US, UK	Asia, US, UK, Australia



FICC provides around-the-clock coverage of its markets

~950 staff in 14 countries

LONDON hub

Full complement commodities offering, including Middle East presence

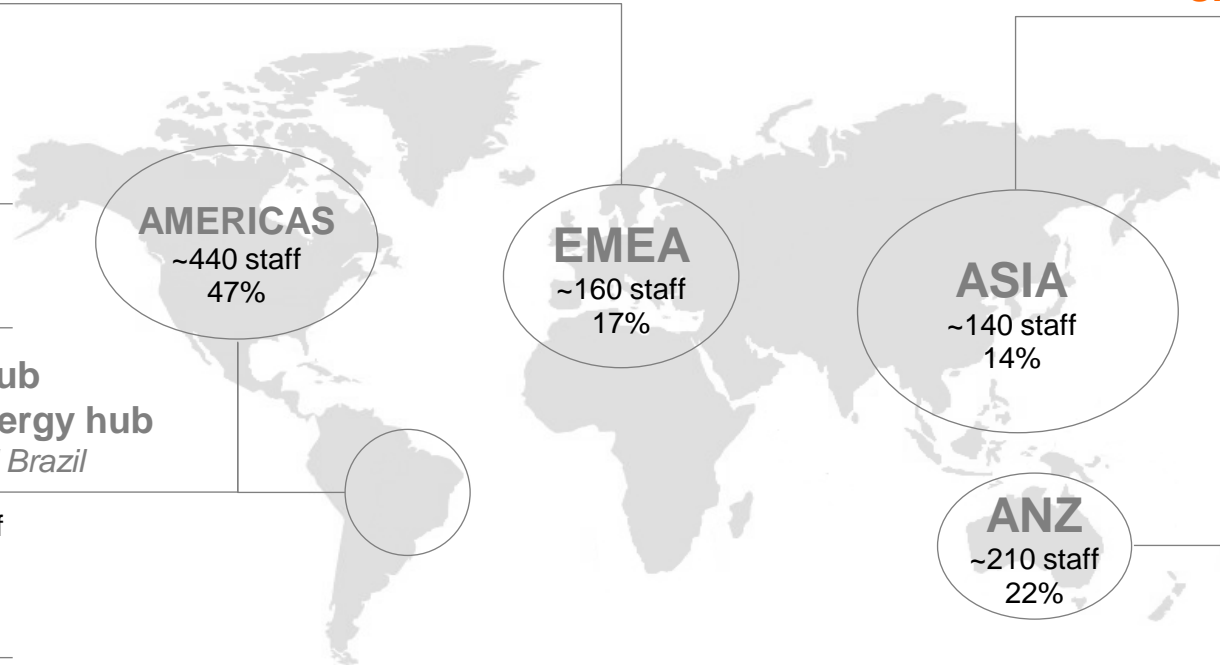
Building up coverage of financials

NEW YORK hub HOUSTON energy hub *plus Canada and Brazil*

Full complement of services across commodities and financials

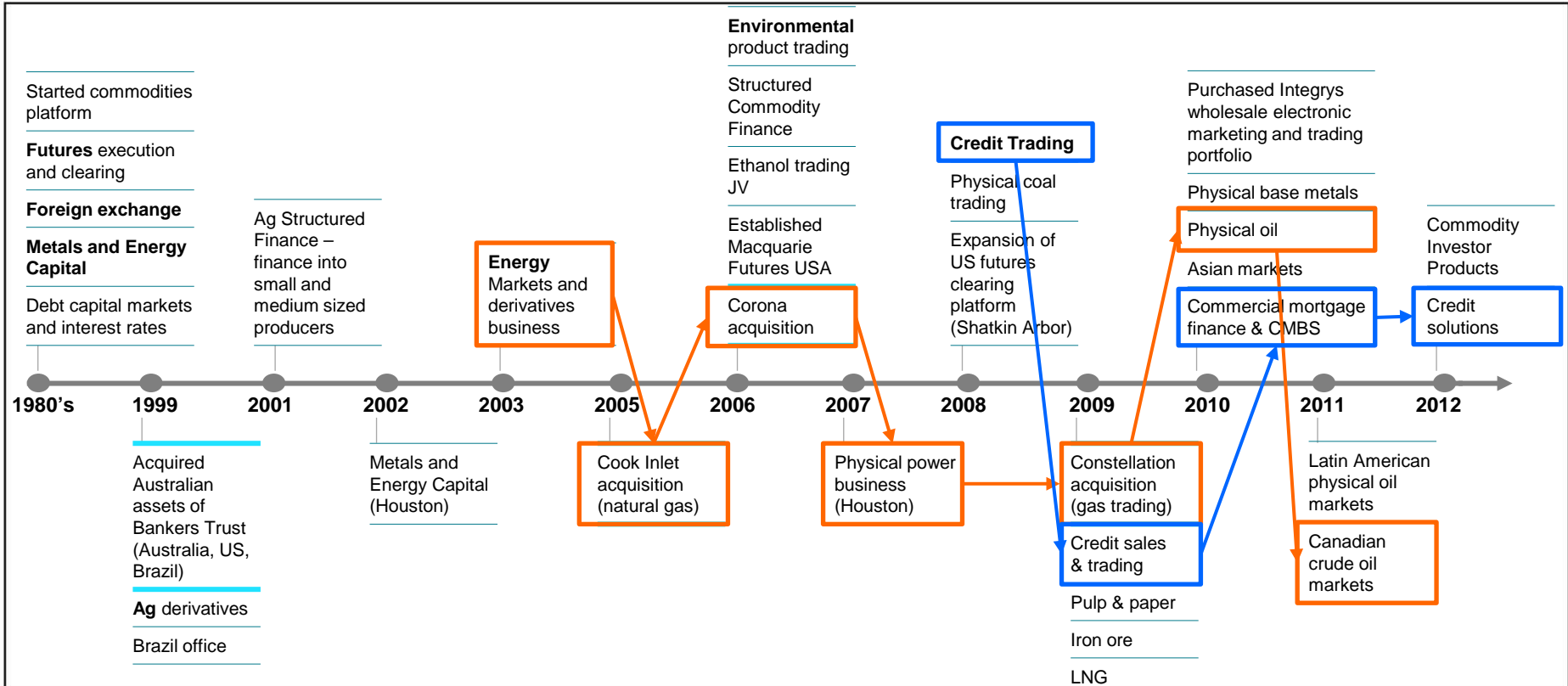
SINGAPORE hub

Building up coverage of financials and commodities





FICC's strategy has involved predominantly building adjacencies from core businesses



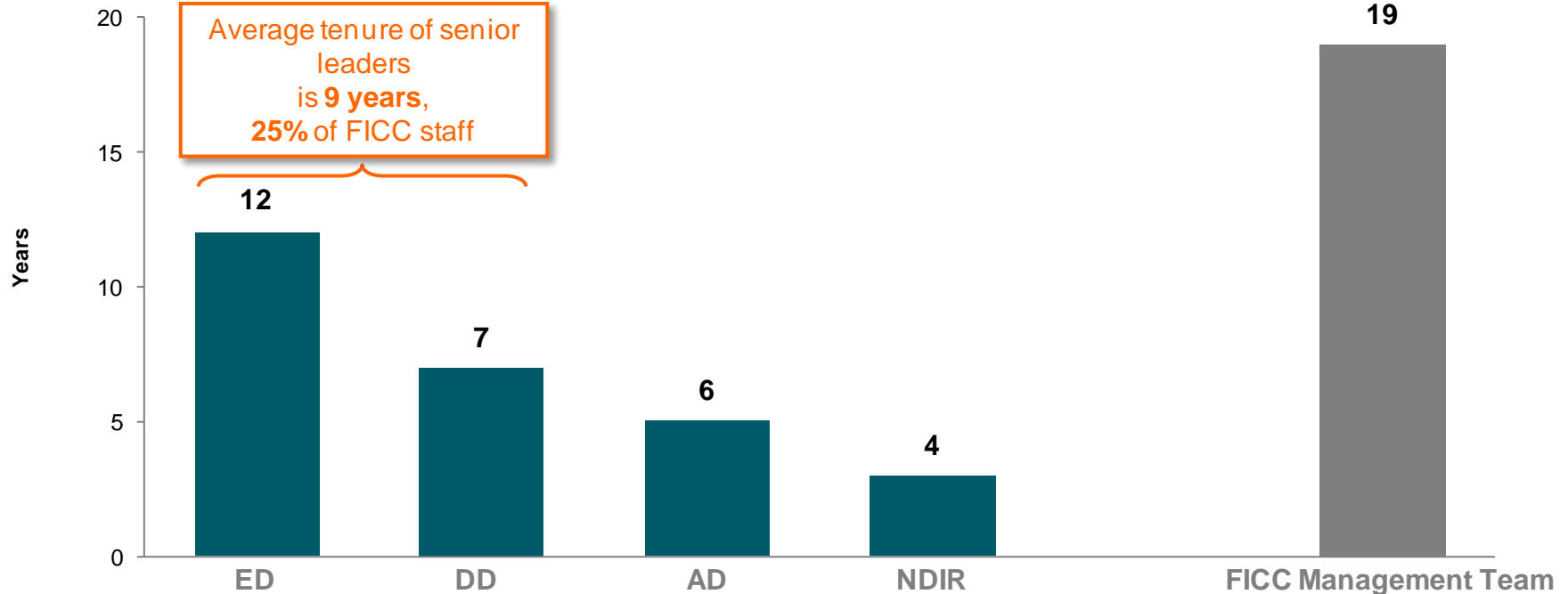


Growth initiatives across both mature and niche businesses

	Division	Stage of evolution	Growth initiatives	
COMMODITIES	Metals & Energy Capital	Established	Grow lending	Mature & broad
	Energy Markets	Established	Consolidate investments Grow European power	
	Metals & Agriculture Sales and Trading	Established	Build Commodity Investor Products business	
FINANCIAL	Fixed Income & Currencies	Established (Strength in Aust.)	Build Asian product specialisation	Strength in niche areas
	Credit Trading	Building	Offering some of our trading capabilities to third party investors Develop credit solutions	
COMMODITIES & FINANCIALS	Futures	Established (Strength in Aust.)	Build technology platform	
	Central	Building	Build Structured Commodity Fin. EMEA offering Build cross border activity Build private and structured finance (Asia & Aust.)	



The average tenure of FICC senior leaders provides platform stability and underpins execution



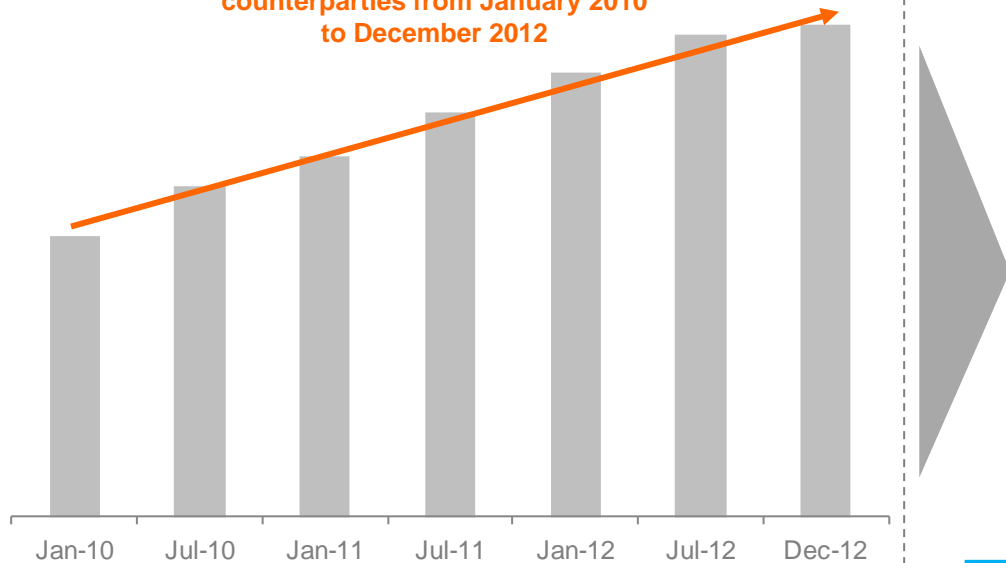
As at Dec 12. Tenure includes years served prior to Macquarie acquisition.



Growing customer base and strong customer retention

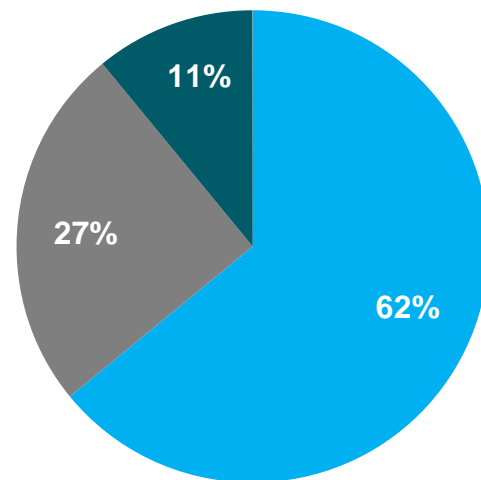
Energy Markets customer progression
(number of counterparties)

~75% increase in number of active counterparties from January 2010 to December 2012



Snapshot of counterparties (December 2012)

~60% OF COUNTERPARTIES THAT TRADED WITH MACQUARIE IN DECEMBER HAVE TRADED A MINIMUM 16 OF THE PREVIOUS 36 MONTHS



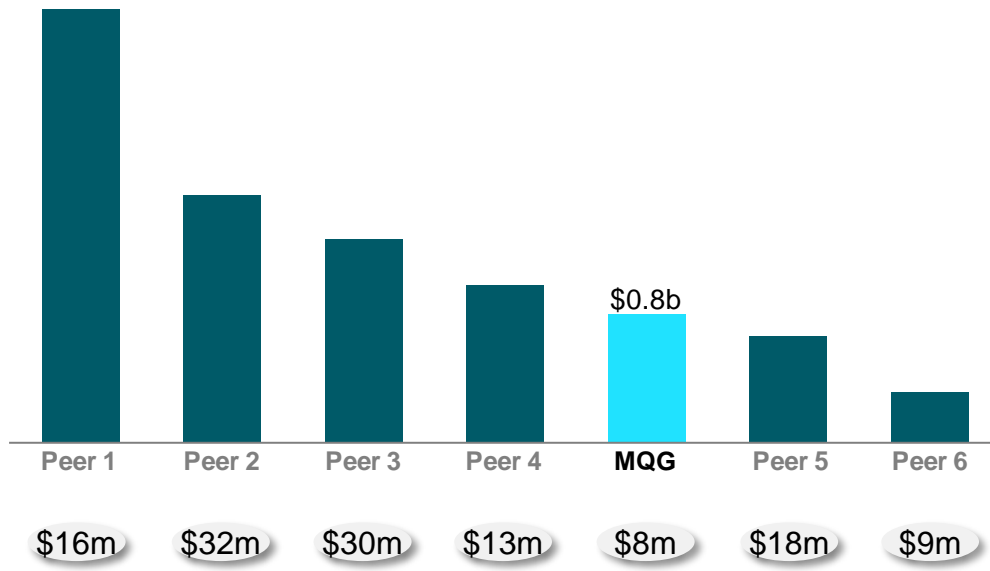
High frequency Medium frequency Low frequency

Note: Macquarie counterparty transactions excluded from analysis. Frequency expressed as number of months in which the counterparty has traded over the time period. 1x – 3x (Low), 4x – 15x (Medium), 16x or greater (High).



Our commodities platform ranks amongst the top IBs globally

2011 Commodities Revenue (\$US)



Source: JP Morgan Cazenove, Global Investment Banks Report, 13 Mar 12. Note: all non-USD results have been converted to USD using 31 Dec 11 exchange rates. VaR results quoted at different confidence intervals have been scaled to 95% equivalents using standard statistical scaling techniques. VaR is the potential loss in value of inventory positions due to adverse market movements over a defined time horizon with a specified confidence level. All figures quoted reflect a 95% confidence level over a one-day holding period. Peers include: Barclays, Credit Suisse, Deutsche Bank, Goldman Sachs, JP Morgan, Morgan Stanley.

→ Expertise and scale

30+ years in **metals** markets

20+ years in **agricultural** markets

10+ years in **energy** markets

Consistently ranked **#4** physical gas marketer in North America¹

Top 3 carbon emissions trader globally by volume and value

\$US1b+ working capital financing for commodity companies

#1 rated global commodities research team²

Winner: Excellence in Agriculture & Soft Commodities³

24-hour global commodities trading coverage

Growing presence in **physical commodities** – natural gas, LNG, NGLs, power, oil, coal, base metals, iron ore, sugar, freight⁴

1. Platts Q3 2012. 2. Macquarie Research consistently No. 1 rated by various surveys: Greenwich; Reuters; Peter Lee Associates. 3. Commodity Business Awards 2012, 2011, 2010. 4. Grains and ethanol provided via a joint venture.



Investments in physical capabilities provide strategic advantages

ENERGY (PHYSICAL)

Active across all physical energy products:

NATURAL GAS	POWER	LNG
US, Canada, UK	US, UK, Aust.	Global
OIL	NGLS	COAL
Global	US	Global

- 9.8 Bcf of physical gas traded daily¹
- 115,000 bpd crude oil supply agreement with refined product offtake²
- 13 Bcf of natural gas storage capacity for US and Canada²
- 0.9 Bcf of natural gas transportation capacity²

AGRICULTURE (PHYSICAL)



- **2007:** Lansing Trade Group
- **Focus:** grains, feed ingredients, agricultural assets, energy products



- **2010:** MBL and Lansing Trade Group significant shareholders
- **Focus:** grains, oilseeds, vegetable oils, freight



- **2012:** 42.5% equity interest in Czarnikow
- **Focus:** sugar, biofuels

INVESTMENTS

1. Platts Q3 2012. 2. As at 31 Dec 12.



Growth initiatives: Commodity Investor Products

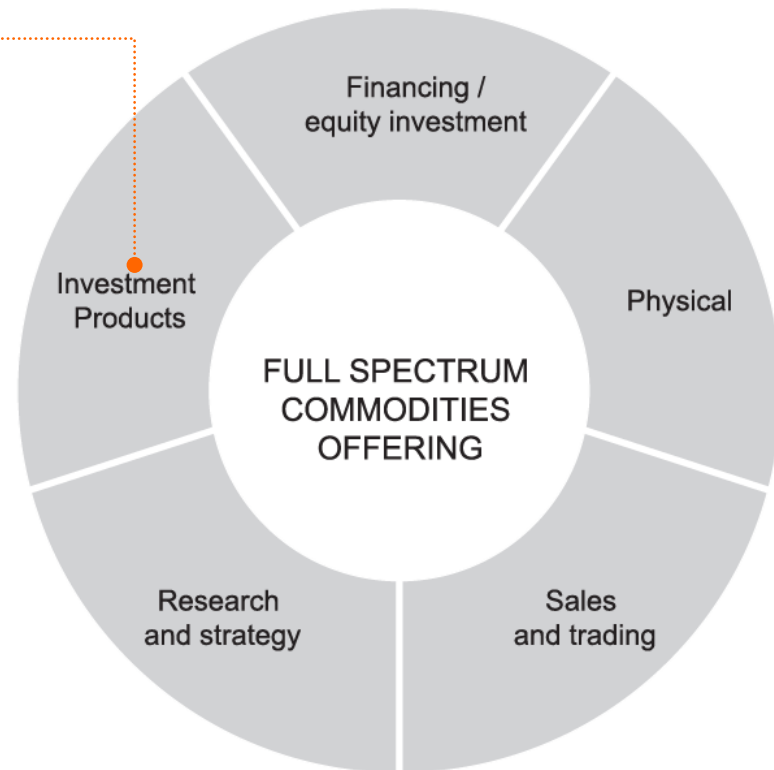
- CIP rounds out FICC's global commodities platform
- Commodity-based index products
- Institutional investors globally
 - Total Beta and Alpha commodity index funds: \$US297b¹
- Natural adjacency to existing commodity platform strengths
 - Sales and trading
 - Physical capabilities
 - Commodities research

Target clients

- Pension funds, asset managers, sovereign wealth funds, hedge funds

Products

- Beta, Enhanced Beta, Alpha



1. Source: CFTC Index Investment Data, as of 31 Dec 12.



Growth initiatives: Asia

GAINING MOMENTUM AS A REGIONAL PLAYER

- FICC Asian regional hub established in Singapore
- 140+ people in 7 countries
- Key new products established: credit, rates, FX
- Transferred Asian FX capabilities into Fixed Income & Currencies to gain scale and create a truly global FX trading and flow business
- Organisational realignment to focus on global capabilities within the region
 - Cross border activity
 - Local market structuring
 - Trade solutions
 - Private & structured finance

CURRENT FOCUS

Commodity markets

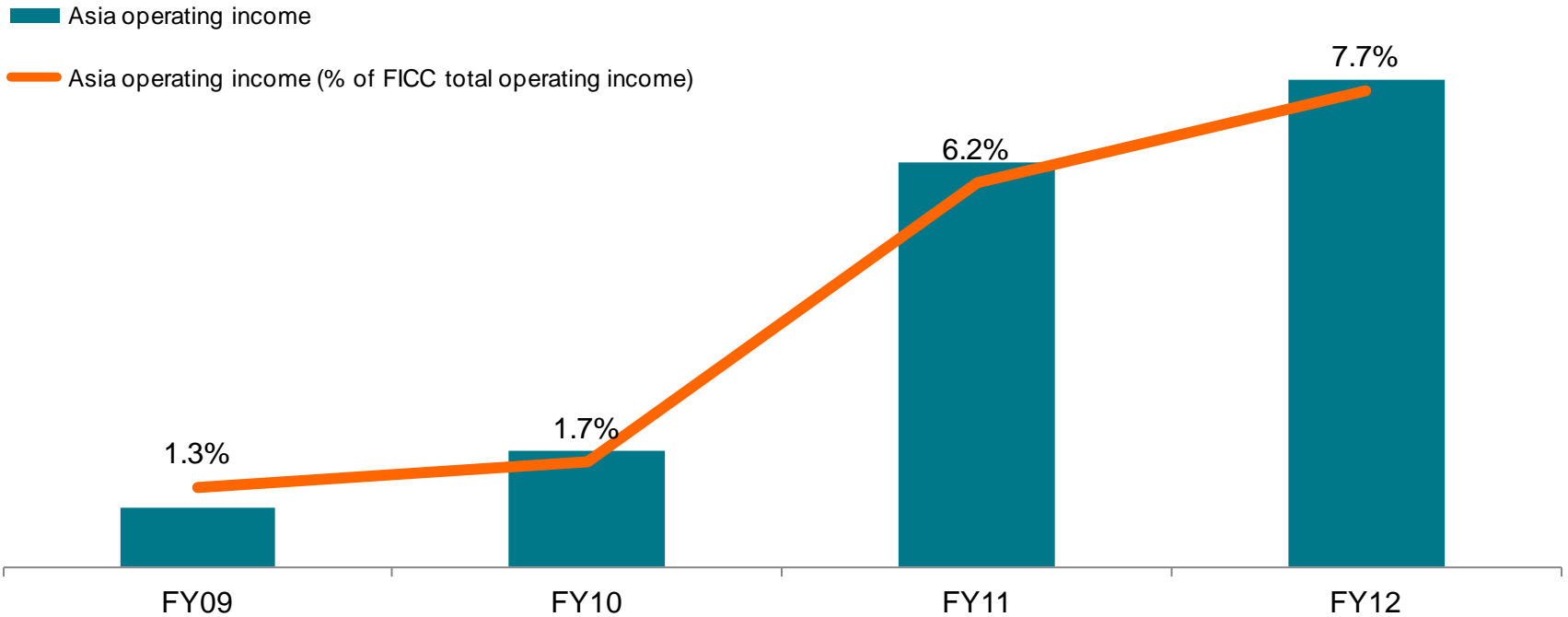
- Extend established Energy Markets and MAST franchise into Asia
- Expand physical commodities offering

Financial markets

- Build Asian FX products specialisation
- Expand Asian cross border product globally
- Develop structured solutions offering regionally, and connect the supply chain globally
- Build Asian private and structured finance business



Growing presence in Asia





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Current market conditions are mixed

COMMODITY MARKETS

- Weak investor sentiment and depressed resource equity markets resulting in impairments on some equity holdings and impacting timing of asset realisations
- Continued strong customer flow and trading opportunities across the global energy platform – particularly in oil and US gas and power
- Lack of volatility in metals and agricultural commodities suppressing client volumes

FINANCIAL MARKETS

- FX volatility continues to decline but improved rates volatility on the back of interest rate cuts in Australia
- RMBS and ABS markets continue to rally in Australia & Europe resulting in improved new issuance pipeline
- Increase in credit market client activity, particularly in high yield and leveraged loans
- Robust CLO primary market
- Market new issuance volumes in high yield bonds almost three times greater than 3Q12 and slightly higher than 2Q13¹
- Improved client activity in Asia across structured notes, expanding cross-border activity in credit and rates and improving pipeline in private finance
- Steady futures client activity and volumes

1. Thomson Reuters.



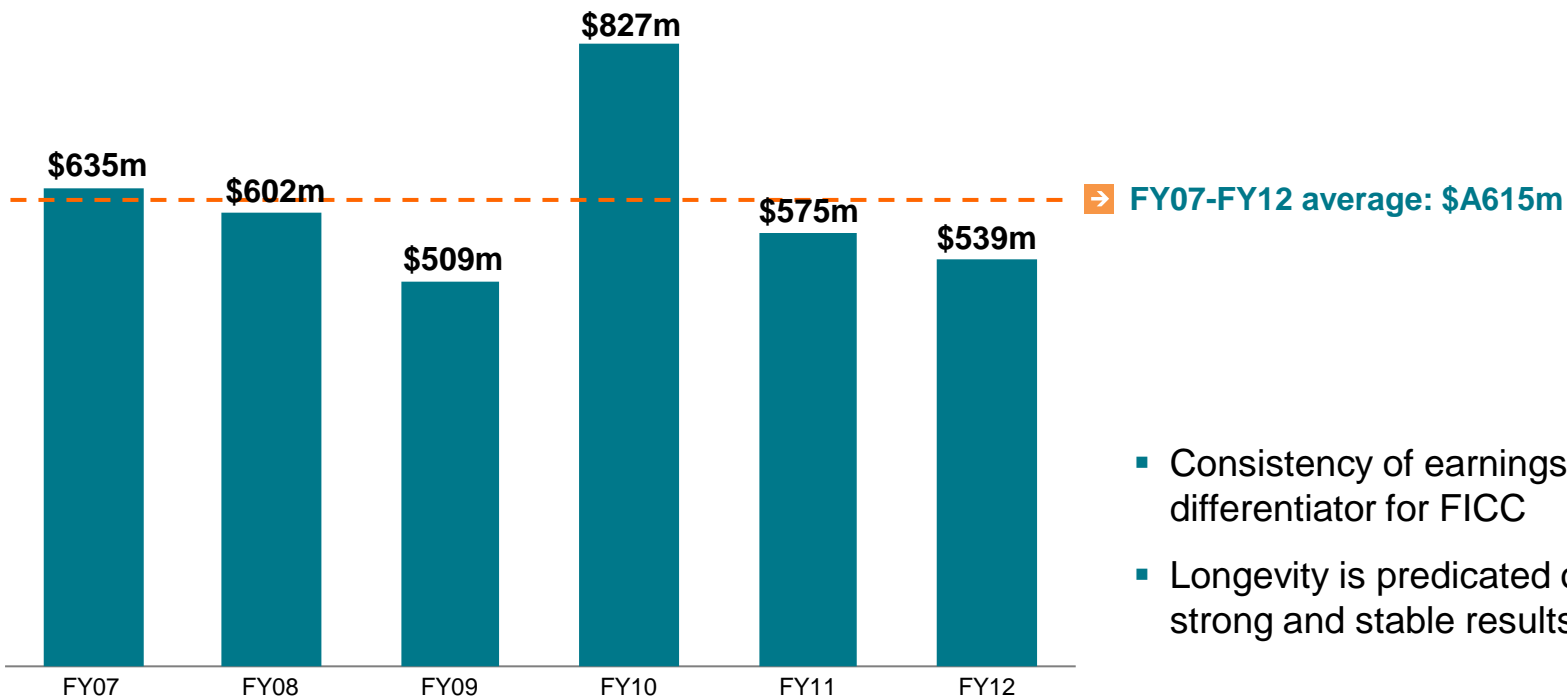
Structural changes occurring across the industry

Regulation/ challenge	Key points	Potential implications
DODD-FRANK	<ul style="list-style-type: none">▪ Centralised clearing of OTC derivatives▪ Migrate standardised OTC derivatives onto exchanges or Swap Execution Facility (SEF)▪ Improved post trade transparency (record keeping and reporting) for OTC derivatives trades	<ul style="list-style-type: none">▪ Increased transparency and narrowing of spreads as derivative products are traded on electronic exchanges▪ Higher operating costs from increased funding due to margining and compliance burden
BASEL III	<ul style="list-style-type: none">▪ Increased capital requirements for securitisation exposures▪ Equity investments above limit deductions becoming 1250% RW▪ Investments in deconsolidated subsidiaries become full deduction	<ul style="list-style-type: none">▪ Higher capital charges impact returns on equity investments▪ Trading in securitised products becomes unattractive (i.e. capital treatment is punitive)
VOLCKER RULE	<ul style="list-style-type: none">▪ Prohibits banking institutions (with access to Federal Reserve funds) from engaging in proprietary trading activities; limits investments in hedge/PE funds	<ul style="list-style-type: none">▪ Participants in shadow banking system capture value pools



FICC's consistency of earnings drives long-term success and stability

FICC Net Profit Contributions¹ – FY07-FY12 (\$A)



- Consistency of earnings is a key differentiator for FICC
- Longevity is predicated on strong and stable results

1. Net Profit Contribution is operating income less operating expenses and is reported before profit share and income tax.



Summary

FICC's track record suggests that it will continue to generate attractive and consistent returns for Macquarie

Historic returns

- Consistently good returns, even in down markets

Innovation

- The management team's continual focus on innovation, evolution and capturing new opportunities has seen it grow the platform and change the revenue mix

Stable management

- The ability to successfully execute is underpinned by the stability of FICC's leadership team – average tenure of 9 years

Strengths

- Commodities platform provides scale
- Financials platform has niche strengths