



Operational Briefing

Presentation to Investors and Analysts

11 February 2020



MACQUARIE

06

Commodities and Global Markets

Nicholas O'Kane
Group Head





CGM is a client focused business

Deep
longstanding
client relationships

Specialised
expertise of our staff

Diverse
and stable earnings

**Risk
management**
is core to everything
we do



Deep, longstanding client relationships

Investment in long-term relationships underpins everything we do

~5,000

unique client relationships¹

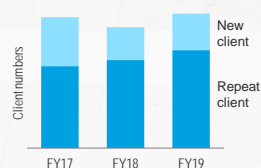
85%

of client revenue is generated from existing relationships^{2,3}

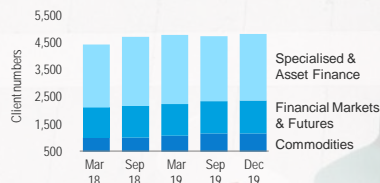
Customers

are spread over a full spectrum of products and services

Repeat business is strong³



Diverse and growing client base⁴



Differentiated offering

Service
They make me feel like I am the only client

Insights
We have respect for them and their understanding of the market

Expertise
I buy Macquarie for the people

1. As at 31 Dec 19, excluding Cash Equities. 2. For nine months ended 31 Dec 19. 3. Excludes Specialised and Asset Finance (SAF) and Cash Equities. 4. Excludes Cash Equities and SAF retail clients.

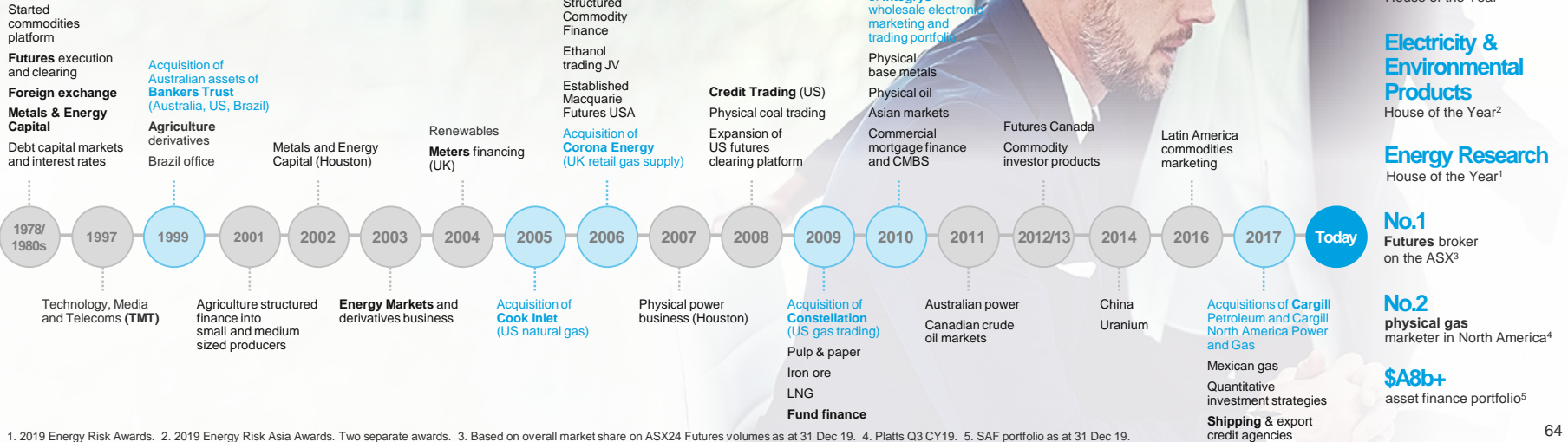


Platform continues to evolve according to client needs

We evolve the platform into adjacencies utilising our deep expertise

40+ years

of client partnership has evolved into niche activities in some markets, and scale in others



1. 2019 Energy Risk Awards. 2. 2019 Energy Risk Asia Awards. Two separate awards. 3. Based on overall market share on ASX24 Futures volumes as at 31 Dec 19. 4. Platts Q3 CY19. 5. SAF portfolio as at 31 Dec 19.



We put clients at the forefront of our portfolio

We are where our clients need us to be, offering deep local expertise and specialist skills



In-house technical experts including:



Logistics experts



Petroleum and mining engineers



Geologists



Meteorologists



Data scientists



Quant finance and theoretical physics PhDs

Resulting in broad skills and deep expertise across

2,660+ staff

27



markets

50



locations around the world



Strong, stable earnings

Our platform diversity drives earnings stability and de-risks the portfolio

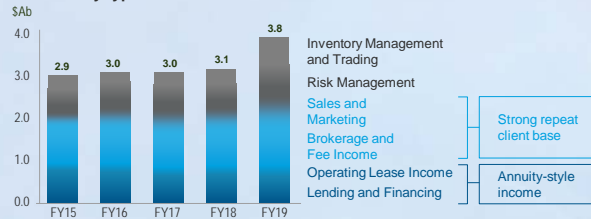
65%

of the portfolio represents recurring income

60-70%

of businesses have low correlation with each other

Revenue by type¹



Correlation of annual net profit contribution by CMF desk (FY12-19)²



1. Represents management view of revenue. 2. Correlation only calculated for desks with complete data from FY12 – FY19; sample represents 92% of Commodity Markets and Finance (CMF) net profit contribution in FY19.



Risk management is core to everything we do

Risk is owned by the business and governed by Macquarie's robust risk management principles

Built on
50 years

of accumulated
experience in
managing risk

Resulting in a
mature

and consistent
control environment
that evolves as
activity expands

Every individual is
accountable

for all aspects of risk management
including risk limits, second line
review and worst-case scenarios

Allows CGM to
partner

with clients to help manage
their risks, utilising our deep
risk management expertise



Market risk

Granular risk limits based on worst case scenarios

Aggregate limits constrain overall market risk appetite

Worst Case Contingent Loss (WCCL) framework



Credit risk

Active management of exposures to sectors and individual counterparties

Dedicated CGM Transaction Assurance team



Operational risk

Independent oversight of comprehensive processes and controls

Dedicated Control Assurance team

120% increase in staff numbers over the last 18 months



Behavioural risk

Expectation of high standards of behaviour and decision making

Strong supervisory oversight

Independent assessment of trader controls

Culture of 'speak up' and 'listen up' when dealing with issues



Compliance risk

Established policy and control framework to manage market conduct

Dedicated Compliance advisory team supporting CGM globally

Identification of regulatory risk and implementation of risk mitigation



North American Power, Gas & Emissions

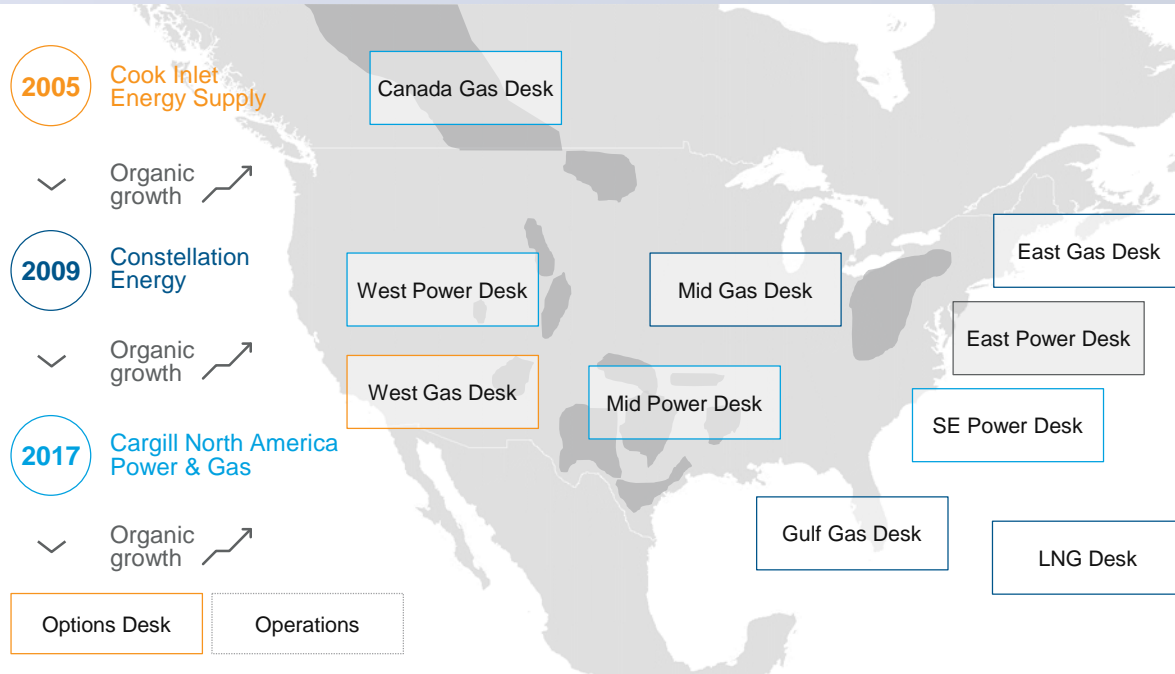
Cindy Khok

Co-Head of North American Power, Gas & Emissions



Growth has largely been organic with adjacent acquisition

15+ years providing clients with access to North American Power, Gas & Emissions markets



Continuity and dedication of our people

14+ years

average time the senior leadership team have worked together

In-house specialists



Schedulers



Analysts



Logistic experts



Meteorologists



Marketers



Traders

24-hour coverage

in the gas and power markets, with trading and operations available over the weekend and holidays to address clients' **real-time needs**



What differentiates Macquarie

Our extensive physical presence gives us valuable insight into supply/demand fundamentals and market dynamics

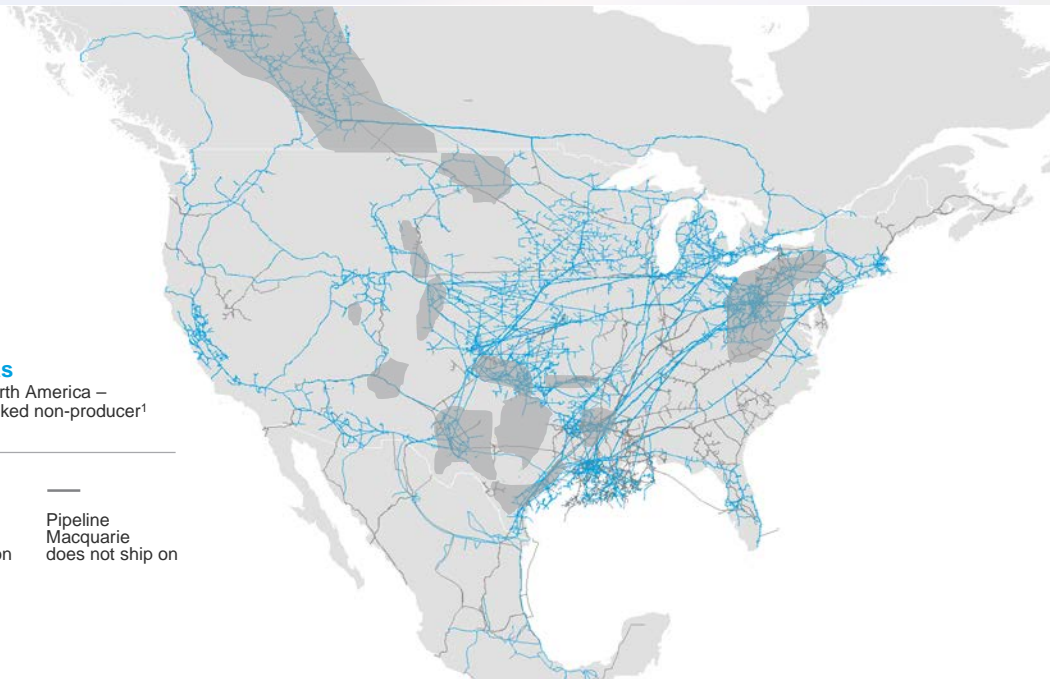


No.2
physical gas

marketer in North America –
the highest ranked non-producer¹

— Pipeline
Macquarie
actively ships on

— Pipeline
Macquarie
does not ship on



80+ systems

Macquarie was active on in Dec 2019

80%+ of major pipelines

Macquarie physically shipped gas on 50 of the 61 major interstate gas pipelines in 2019

13 Bcf/day

Macquarie peak day activity in 2019



Actively trades with 500+ counterparties

Through hundreds of individual interactions each day, we provide market liquidity, evaluate transportation and storage dynamics, and identify production and consumption trends

This information feeds into our fundamental analysis and provides us a best in class view on supply and demand

Experience & analysis

guides us in establishing a portfolio of assets providing critical supply or takeaway options in regions that are often capacity-constrained, and then managing the risk around those assets

Physical commodity trading

gives us a deeper insight into volatile basis markets

Extensive relationships

enable us to engage with key upstream and downstream players in each region

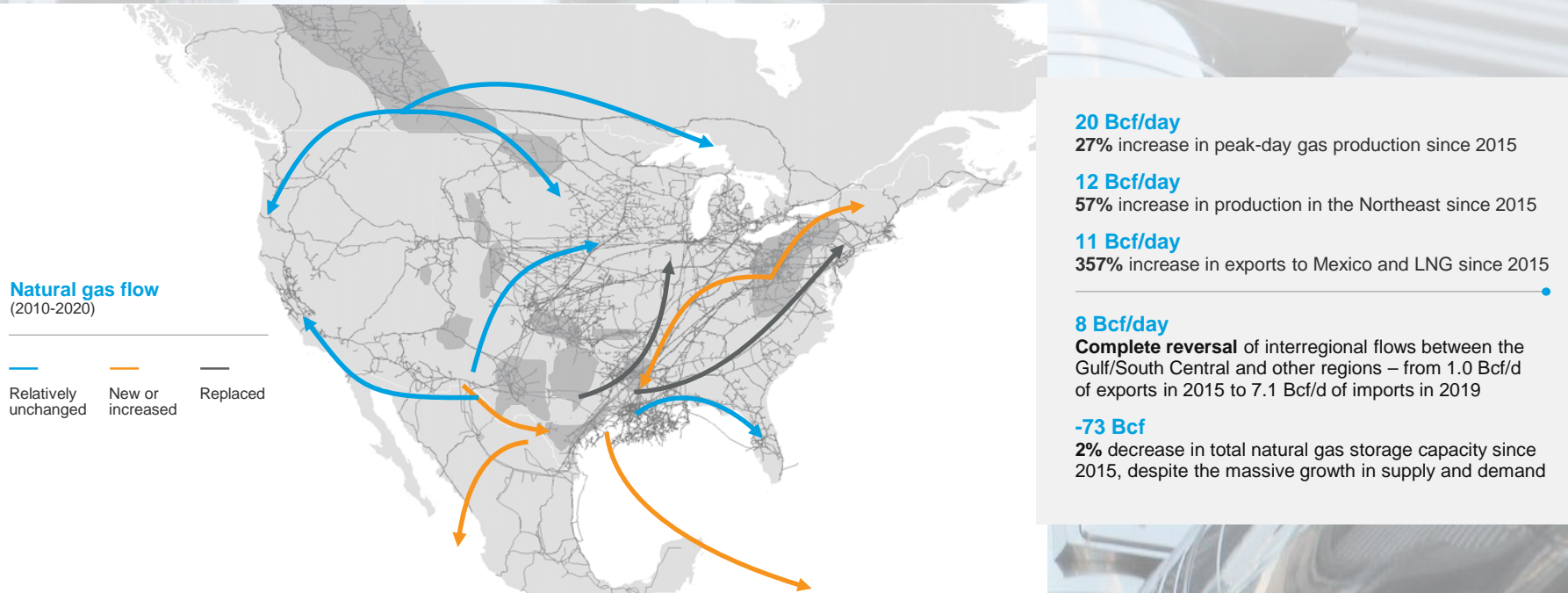
Leased physical asset portfolio

positions us to serve our customers' needs and work together to profitably optimise transportation options when bottlenecks arise



A rapidly changing market presents opportunities

Production basins, infrastructure, and consumption patterns are all rapidly shifting





Fixed Income and Currencies

Simon Wright

Division Head, Fixed Income and Currencies



Fixed Income and Currencies

A client-led business model for 30+ years

Coverage

- **All FX markets:** Cash and derivatives across G10 and emerging markets
- **Most interest rates:** Offering G10 and emerging markets
- **Structured credit:** Focused offering around the origination, placement and trading of asset backed securities in Australia and Europe

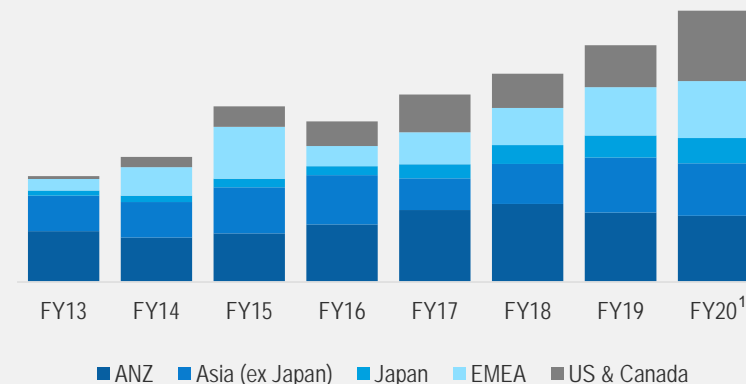
Clients

- Corporates and private equity funds
- Real money, hedge funds and sovereign wealth
- Money service brokers and private clients

Deep experience and strong risk management

- **18+ years** average tenure for business heads

Regional revenue contribution



Growth

1990-2000s

An Australian-led “fly-in/fly-out” business focused on primary markets in ANZ and secondary markets in the rest of the world

2008+

Changing market dynamics saw less need for secondary market liquidity and a greater opportunity to face clients directly in offshore markets

Since FY14

Substantial growth outside Australia – particularly in Japan, EMEA, the US and Canada, with a focus on the primary market. Hired local people, to service local clients and provide local market products

Today

250+ counterparties globally serviced by in-country, local staff, backed and powered by long service risk managers...with significant opportunity for further growth



Growth through expanding expertise and entering new markets

Focused on delivering exceptional client service

Putting client outcomes at the centre of our business



US and Canada

Evolution: strong growth in private equity, with a **500%** increase in revenue over the last 5 years, in collaboration with Macquarie Capital

Clients: including funds acquiring assets who need deal contingency, asset purchase and dividend hedges

Growing: corporate client base, with all regions leveraging the development and provision of hedging product



Japan

Evolution: no presence in 2011

Clients: typically private multi generational corporates with strong balance sheets

Growing: hedging solutions, supporting client exposures to a number of activities including: manufacturers, food imports, and ship builders



EMEA

Evolution: significant growth with corporate clients over the last 5 years

Clients: including importers of fish, steel fabricators, timber importers, asset originators, to agriculture and commodity businesses

Growing: private equity client base, in conjunction with the US team and other parts of Macquarie



What's next?

Nicholas O'Kane

Head of Commodities and Global Markets



Attuned to evolving market opportunities

We go where our clients want us to be, supporting new areas of growth

Adjacencies

- Disruptive technologies
- Aging energy infrastructure
- Geographic markets
- New classes of customers

Energy transition

- Commodity index products
- Carbon as an asset class
- Voluntary carbon offsets
- Tradeable digital certificates for recycled precious metals
- Jet fuel bundled with a carbon offset
- Battery storage
- Carbon-neutral barrels of crude
- Financing refinery upgrades
- Investing in new exchanges
- Low sulfur fuel oil financing
- LNG demand
- Environmental, tradable attributes across the commodity spectrum
- Hydrogen emergence
- Renewable power
- Carbon-neutral food products
- Carbon-offsetting election in mobile apps

Client-led

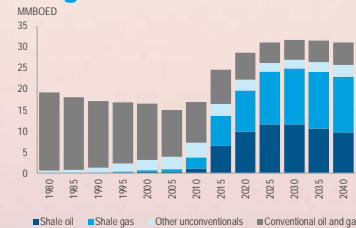


Projected global LNG demand



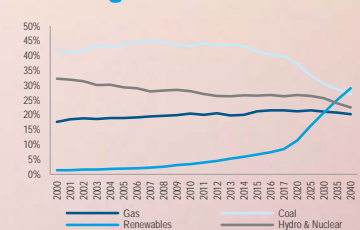
Source: IHS/Macquarie.

US gas outlook



Source: IEA World Energy Outlook 2017.

Power generation mix



Source: Macquarie Research.

Earnings certainty, plus well-positioned to capitalise on growth opportunities



65%

of the portfolio represents recurring income

60-70%

of businesses have low correlation with each other

Upside

with transparency around key pockets of growth





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