



Asian Infrastructure Investment and AIIB's role

Macquarie Capital

13 November 2015

Important notice and disclaimer



This presentation is provided on a confidential basis. This presentation does not in any way constitute an offer to sell or a solicitation of an offer to buy any securities.

The name "Macquarie" refers to the Macquarie group of companies, which comprises Macquarie Group Limited ("MGL") and its worldwide subsidiaries, affiliates, and funds or other investment vehicles managed or advised by MGL, its subsidiaries or affiliates.

This presentation has not been filed, lodged, registered or approved in any jurisdiction and recipients of this document should keep themselves informed of and comply with and observe all applicable legal and regulatory requirements.

This presentation has been prepared on the basis of information that may be confidential, publicly available information and from other sources deemed by Macquarie as reliable. Except as required by law, Macquarie and its affiliates, directors, officers, employees, agents and consultants make no representation or warranty, whether express or implied, as to the accuracy or completeness of the contents of this presentation, and take no responsibility for any loss or damage suffered as a result of any omission, inadequacy, or inaccuracy therein.

Statements or assumptions in this presentation as to future matters may prove to be incorrect. Macquarie makes no representation or warranty as to the accuracy of such statements or assumptions. Circumstances may change and the contents of this presentation may become outdated as a result, and Macquarie has no obligation to update the presentation or correct any inaccuracies or omissions in this presentation.

Recipients should not treat this presentation as advice relating to legal, taxation or investment matters and are advised to consult their own professional advisers.

This presentation may not be reproduced in whole or in part, nor may any of its contents be divulged to any third party without the prior consent in writing of Macquarie.

Nothing in this presentation shall constitute an offer capable of acceptance, nor shall anything in this presentation contain a commitment from Macquarie to subscribe for securities, to provide debt, to arrange any facility, to invest in any way in any transaction described herein or otherwise imposes any obligation on Macquarie. Macquarie does not guarantee the performance or return of capital from investments. Any participation by Macquarie in any transaction would be subject to its internal approval process.

The recipient acknowledges that neither it nor Macquarie intends that Macquarie act or be responsible as a fiduciary to the recipient, its management, stockholders, creditors or any other person. Each of the recipient and Macquarie, by accepting and providing this presentation respectively, expressly disclaims any fiduciary relationship and agrees that the recipient is responsible for making its own independent judgments with respect to any transaction and any other matters regarding this presentation.

None of the entities noted in this presentation is an authorised deposit-taking institutions for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542. Macquarie Bank Limited does not guarantee or otherwise provide assurance in respect of the obligations of these entities.

Macquarie Group 2013



Contents

01	Introduction to Macquarie	3
02	Infrastructure needs	9
03	Infrastructure financing	13
04	Asian infrastructure gap	20
05	Why deals fail to work	24
06	How AIIB can help	27
07	Contact and CV	32



MACQUARIE



01

Introduction to Macquarie

Macquarie Group



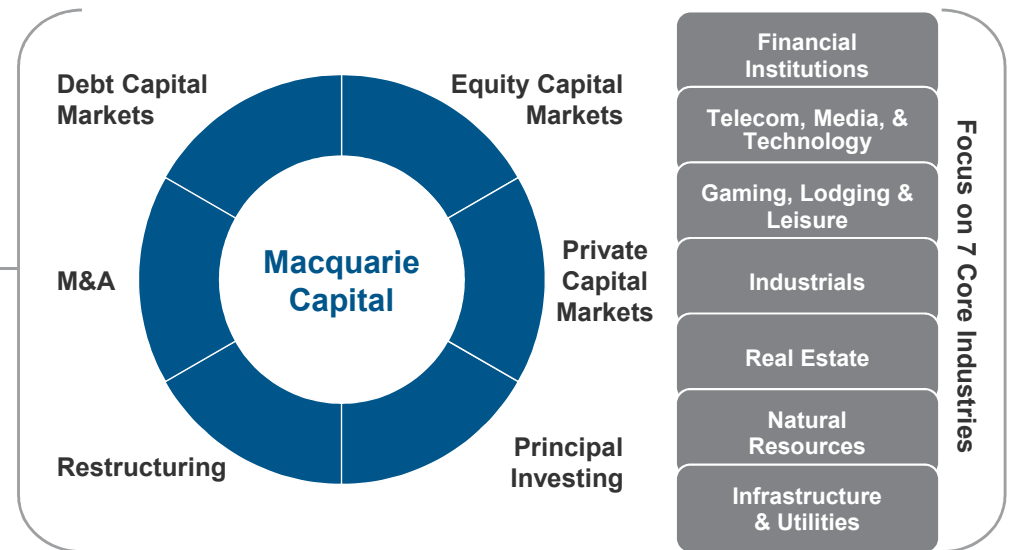
Macquarie Group overview

Macquarie Group at a glance

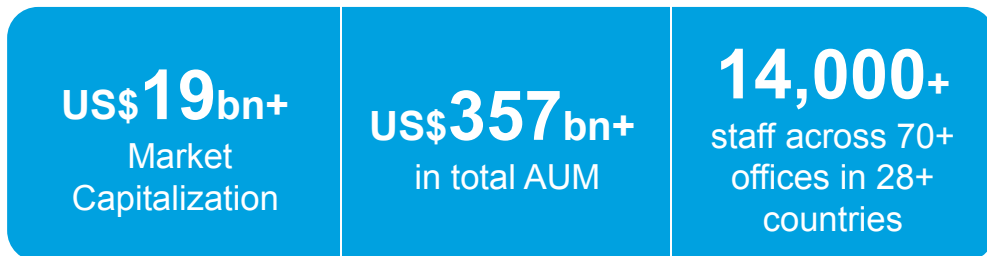
- Global provider of banking, financial advisory, investment and funds management services in major international financial centers
- Founded in 1969 as the Australian subsidiary of UK merchant bank Hill Samuel
- Established and growing presence in the US since 1994
- Listed on Australian Securities Exchange (ASX:MQG) since 1996
- A2/A credit rating (Standard & Poor's)



Macquarie Capital overview



Macquarie Group by the numbers



Macquarie Capital by the numbers (FY 2015)

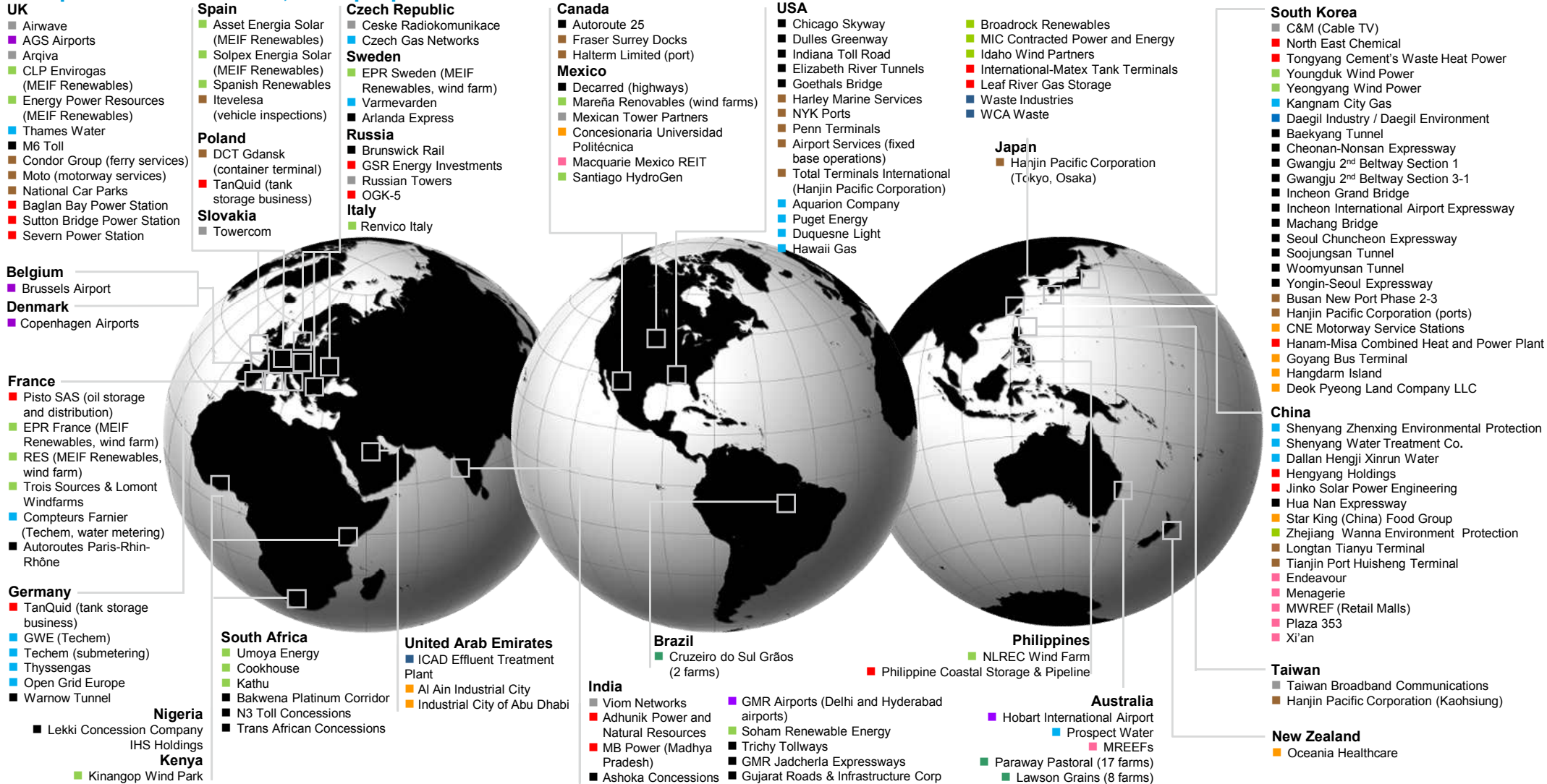


Note: Figures as of March 31, 2015; numbers exclude some JVs. Macquarie Capital statistics include acquisitions

Global presence



129 portfolio businesses, ~300 properties and ~3.6 million hectares of farmland¹



Airports **Communications** **Energy** **Waste** **Renewable Energy** **Utilities** **Roads & Rail** **Other Transport Services** **Real Estate** **Agriculture** **Other Real Assets**

1. As at 31 March 2015. Represents portfolio businesses which Macquarie Infrastructure and Real Assets manages on behalf of investors with various direct percentage stakes held in each. Portfolio businesses shown on the map are representative and not exhaustive. In some instances they represent the operations of a single business where it has operations across different countries.

Trusted by communities



Every day ~100 million people use essential services provided by Macquarie-managed businesses



AIRPORTS

~90 million passengers per annum



ROADS

~3 million vehicles per day



RAIL

~3 million passengers per annum



FERRIES

~5 million passengers per annum



SEA PORTS

~4 million standard container units handled per annum



CAR PARKS

~150,000 car spaces



COMMUNICATIONS

~83 million people through television, telephone and radio infrastructure



GAS

~23 million households



WATER

~4 million households



ELECTRICITY

~2 million households



AGED CARE / RETIREMENT VILLAGES

~3,250 beds



EMPLOYEES

~64,000 across the portfolio businesses

As at 30 September 2014, or most recent

House

- **Most Innovative Investment Bank – Infrastructure and Project Finance Category (2014)/Global – The Banker**
- **Best M&A House (2014)/Australia – Euromoney**
- **Best Domestic Equity House 2006-13 (2014)/Australia – Asiamoney**
- **Best Domestic Equity House (2012/13/14)/Australia – Asiamoney**
- **Best Investment Bank (2012/13)/Australia – Global Finance**
- **Capital Advisory Firm of the Year (2011/12/13)/Asia – PERE**
- **Best Investment Bank (2013)/Australia – M&A Advisor, The Asset**
- **Best M&A House (2013)/Australia – Capital CFO, FinanceAsia**

Transaction

- **Transport Deal of the Year (2014)/Global/Infrastructure Journal – Goethals Bridge Replacement**
- **PPP Deal of the Year (2013)/North America/Infrastructure Investor – Goethals Bridge Replacement**
- **Renewables Deal of the Year (2013)/Global/Infrastructure Journal – London Array OFTO acquisition**
- **M&A Deal of the Year (2013)/Australia/FinanceAsia – Future Fund's acquisition of Australian Infrastructure Fund's assets**
- **Social Infrastructure Deal of the Year (2013)/Global/Infrastructure Journal – Wiri Men's Prison**
- **Infrastructure Acquisition of the Year (2013)/Global/Infrastructure Journal – Acquisition of UPP Group Holdings Limited by PGM**
- **M&A Deal of the Year (2012)/Global/Project Finance International – Open Grid Europe acquisition from E.ON AG**
- **Deal of the Year (2012)/Europe/Euromoney – Open Grid Europe acquisition from E.ON AG**
- **Toll Road Deal of the Year (2012)/North America/Project Finance Magazine – Downtown Tunnel/Midtown Tunnel/MLK Extension**



02

Infrastructure needs

In 10 years...



There will be
8 billion people on the planet

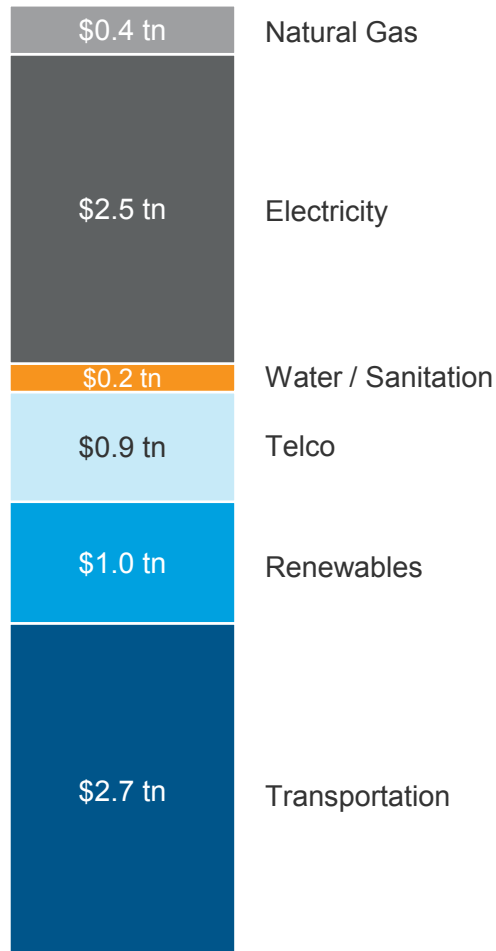
2.5 billion
Asians will live
in urban centres

In China, **400 million** will be added to its cities
and **300 million** will be >65 years old

How much infrastructure is needed?

Asia Infrastructure Projected Demand for Capacity and Replacement (2010-2020)

Total: \$US 7.5 trillion



“Whilst the Asian Development Bank (ADB) predicts that between 2010 and 2020 Asia will need to spend approximately US\$8 trillion in order to just maintain current levels of growth, according to PwC, the Asia Pacific region will need to spend US\$5.36 trillion annually on infrastructure by 2025 (representing nearly 60 per cent of the world’s total).” PwC

Global Competitiveness Index 2015-16

Country	GCI Score (2015-16)	Overall Quality of Infrastructure (2015-16)
	Rank	Rank
Singapore	2	4
China	28	39
Malaysia	18	24
Thailand	32	44
Indonesia	37	62
Philippines	47	90
Vietnam	56	76
India	55	81
Sri Lanka	68	64
Cambodia	90	101
Mongolia	104	112
Bangladesh	107	123
Pakistan	126	117
Average	59	72



03

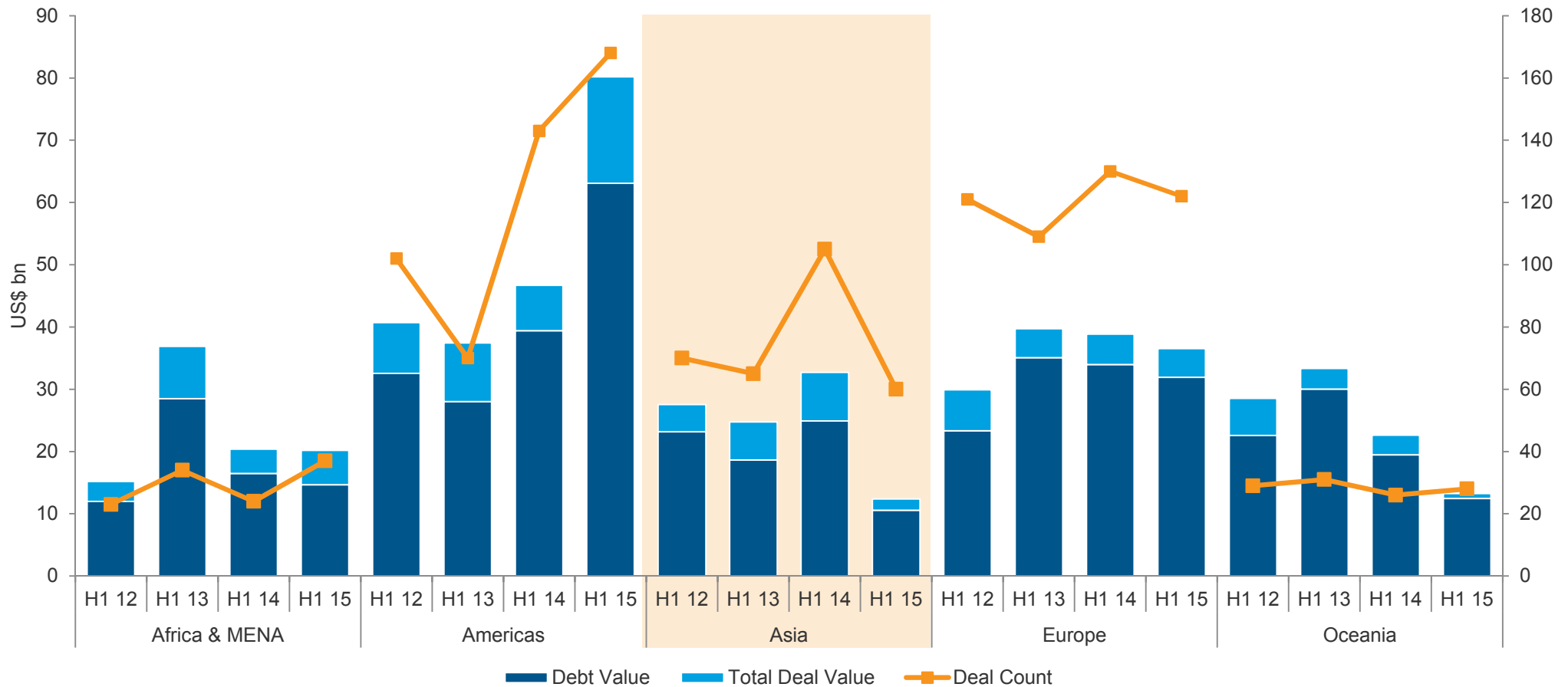
Infrastructure financing

Global Infrastructure investments



Marked slowdown in Asia

Project Finance - Region Volume (H1 2012 - H1 2015)



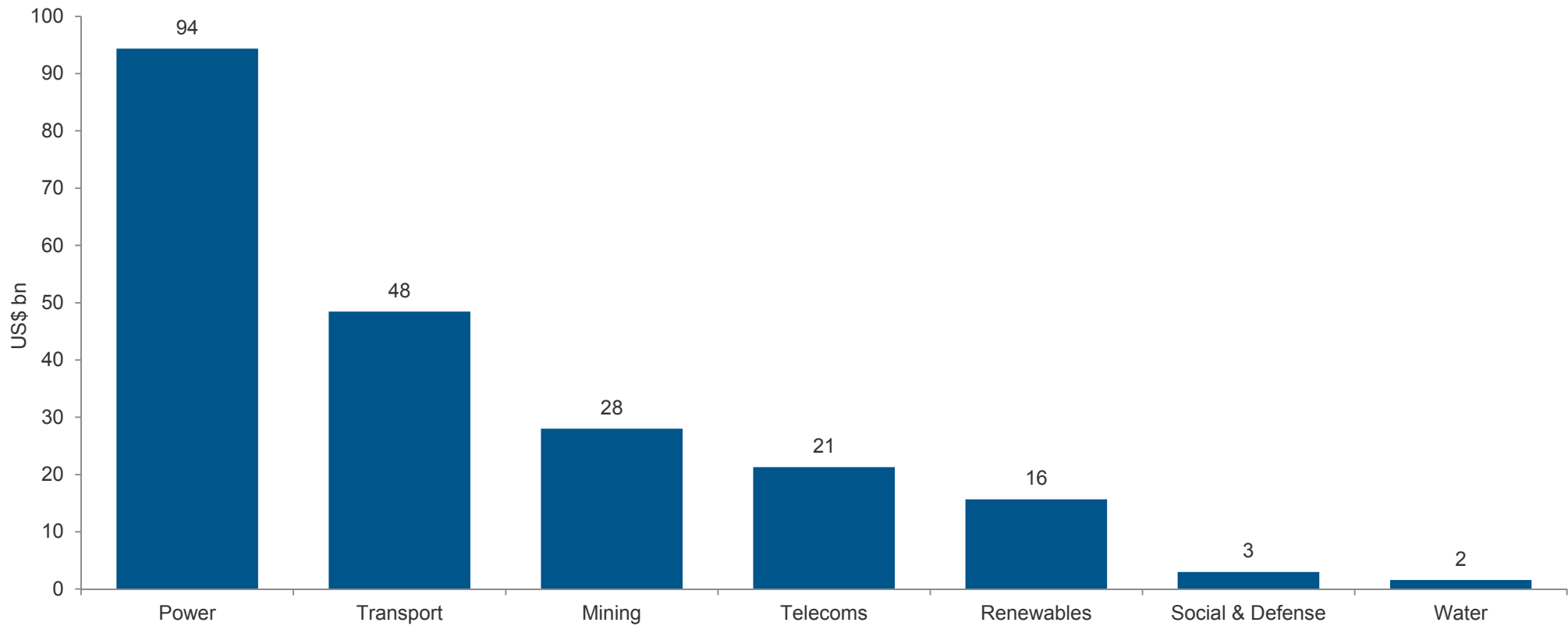
Source: Infrastructure Journal

Debt markets



Power and transport dominates the Asia project finance market

Total Project Finance Debt Volume by Sector - Asia (2010 - 1H2015)

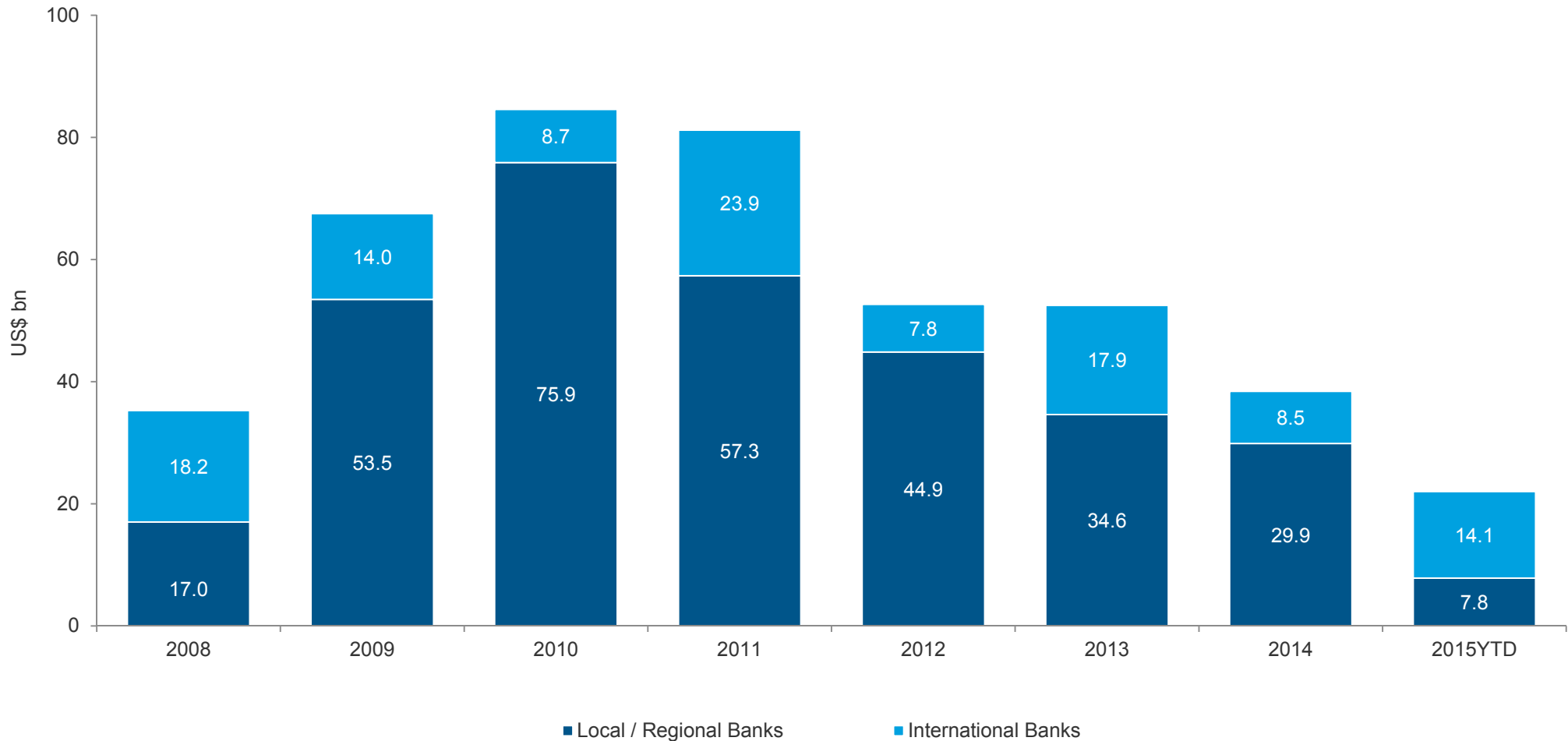


Source: Infrastructure Journal

Debt markets



Debt volumes decreasing. Regional/local banks with lower participation.



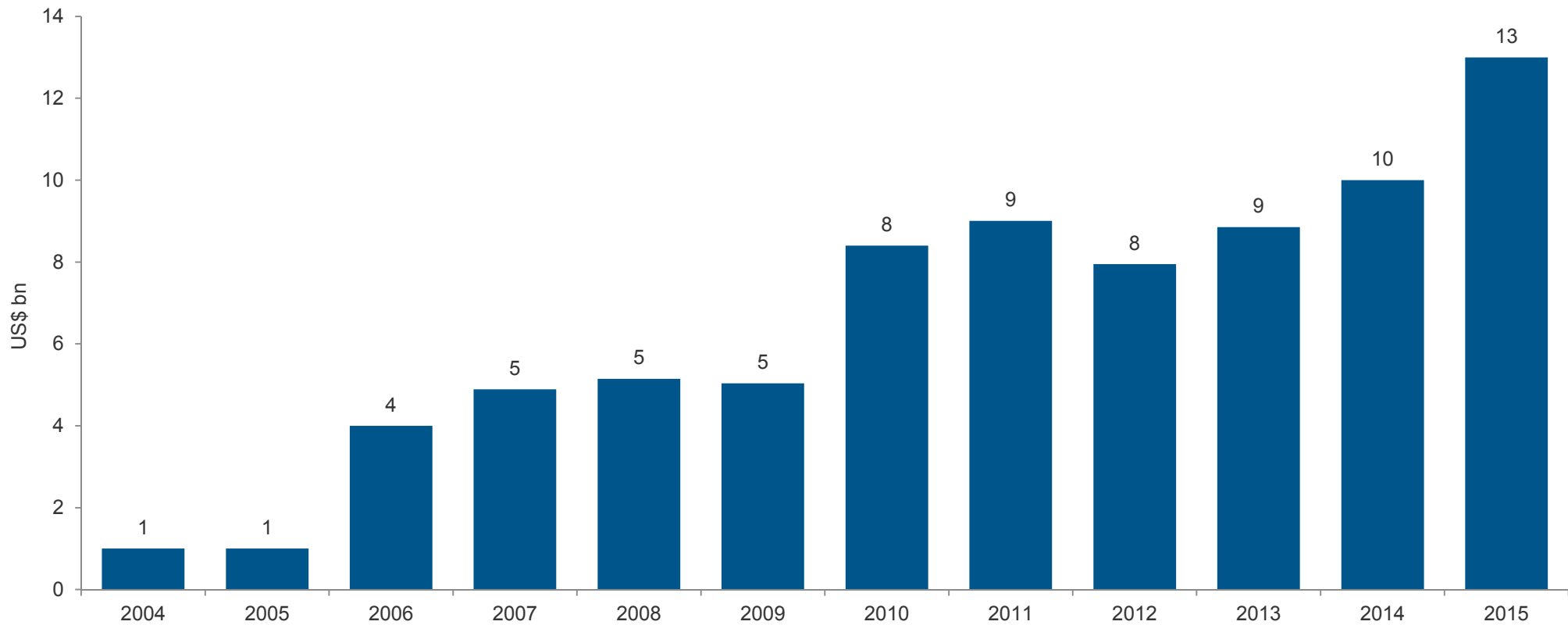
Source: Dealogic, project finance loans from 2008

Equity



Asia & Rest of World - Infra Funds Dry Powder

Unlisted Infrastructure Fund Dry Powder – Asia (2004 - 1H2015)



Source: Preqin



04

Asian infrastructure gap

Large scale transactions being completed around the world

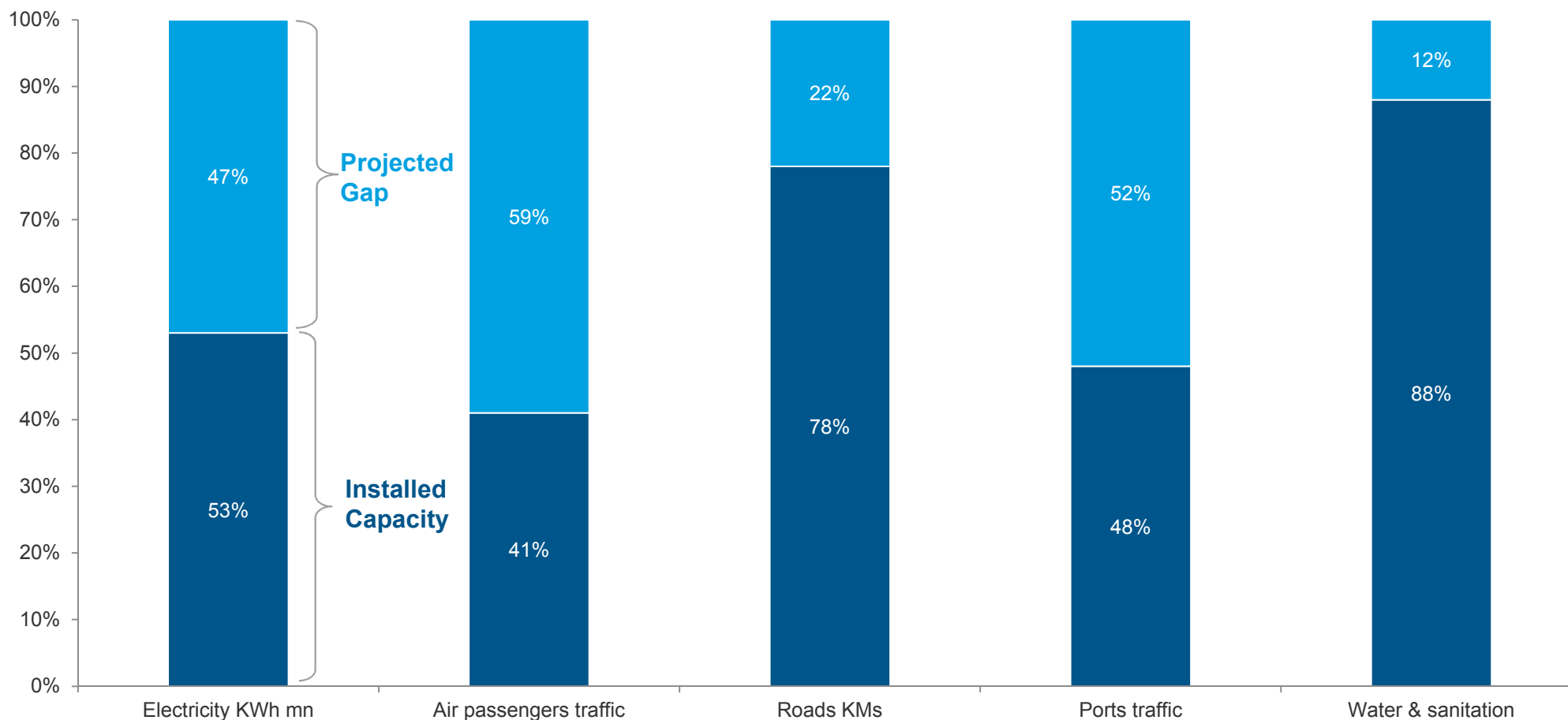


Deal Name	Deal Value
Goethals Bridge Replacement	US\$1.5 billion
Downtown Tunnel/Midtown Tunnel/MLK Extension	US\$2.1 billion
Denver Fas Tracks Eagle P3 project	US\$2.1 billion
Interstate 595 Highway	US\$1.7 billion
Mersey Gateway PPP	£600 million
Queensland New Generation Rollingstock PPP	A\$4.4 billion
New Royal Adelaide Hospital PPP	A\$1.85 billion
Victorian Desalination Plant	A\$5.7 billion
Port of Brisbane	A\$2.3 billion

What is the infrastructure gap in the future?



ASEAN-4: Infrastructure Need - Between Now and 2020



Source: Goldman Sachs Global ECS Research estimates (2013)



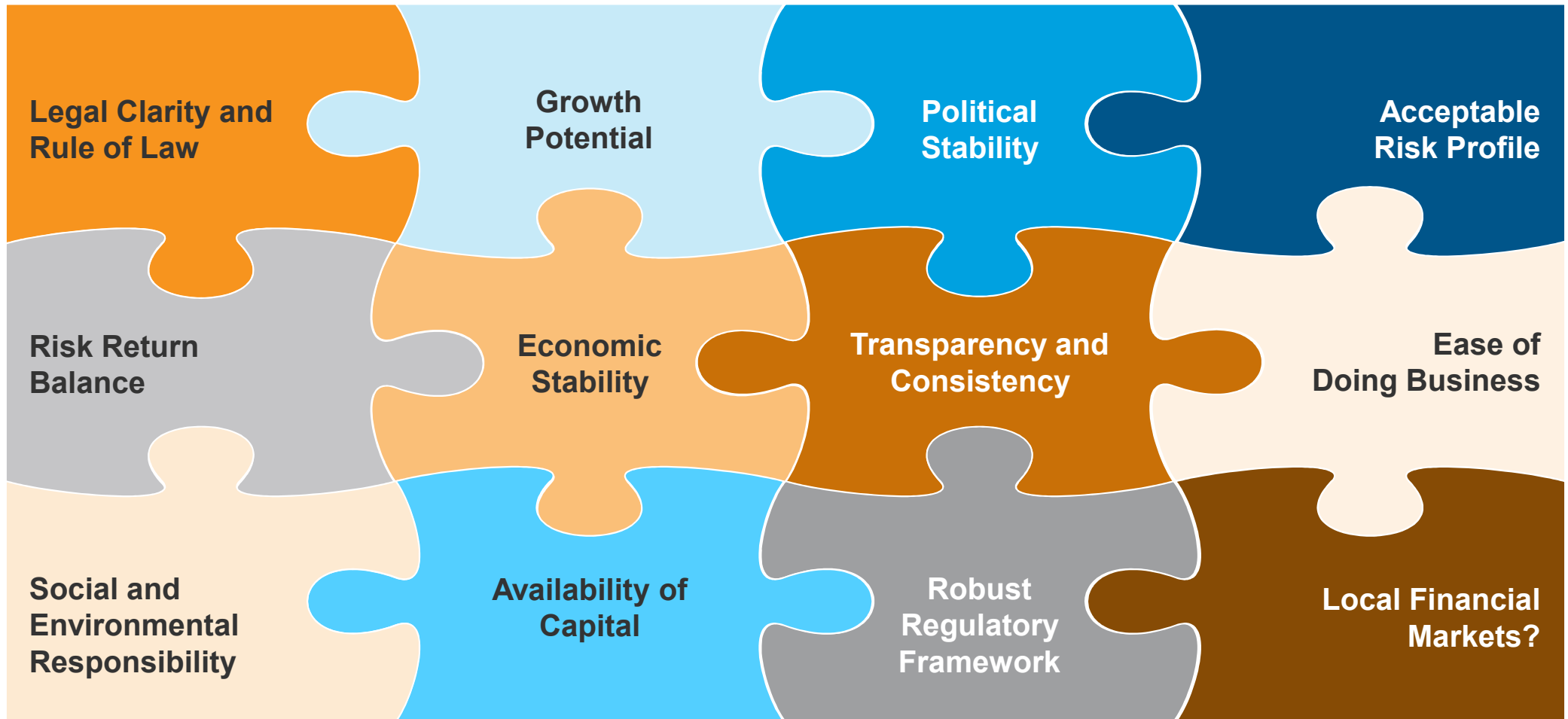
05

Why deals fail to work

Key requirements



What investors require



Some common issues



PPPs require a long time and high costs implement well

Bid processes

- Short timeline for bid preparation
- Lack of sufficient pre-bid work by Grantors
- High costs
- Restrictive bid processes

Bid rules

- Lack of flexibility – e.g. change in consortium structure, ability to provide comments etc
- Bid bonds
- Lack of clarity

Terms of CA

- Risk transfer – e.g. change of law, land acquisition etc
- Termination regime – e.g. no debt coverage, hair trigger termination etc
- Compensation – e.g. payment risks, cash v non-cash etc
- Deliverables – e.g. output v specifications etc

Post bid processes

- Lack of certainty – fixed price bid without committed financing
- Time slippage
- Inability to cope with market changes
- Track record of non-enforcement



06

How AIIB can help

AIB as enabler of infrastructure investment



Focused Approach

- Identify key needs
- Long term development plan
- Long term procurement and funding strategy

“AIB Long Term Masterplan for [sector] in [country]”

Delivery Framework

- Clear and transparent procurement framework
- Focus on preparation to deliver outcome
- “AIB standard guidelines”
- Expert teams and panels

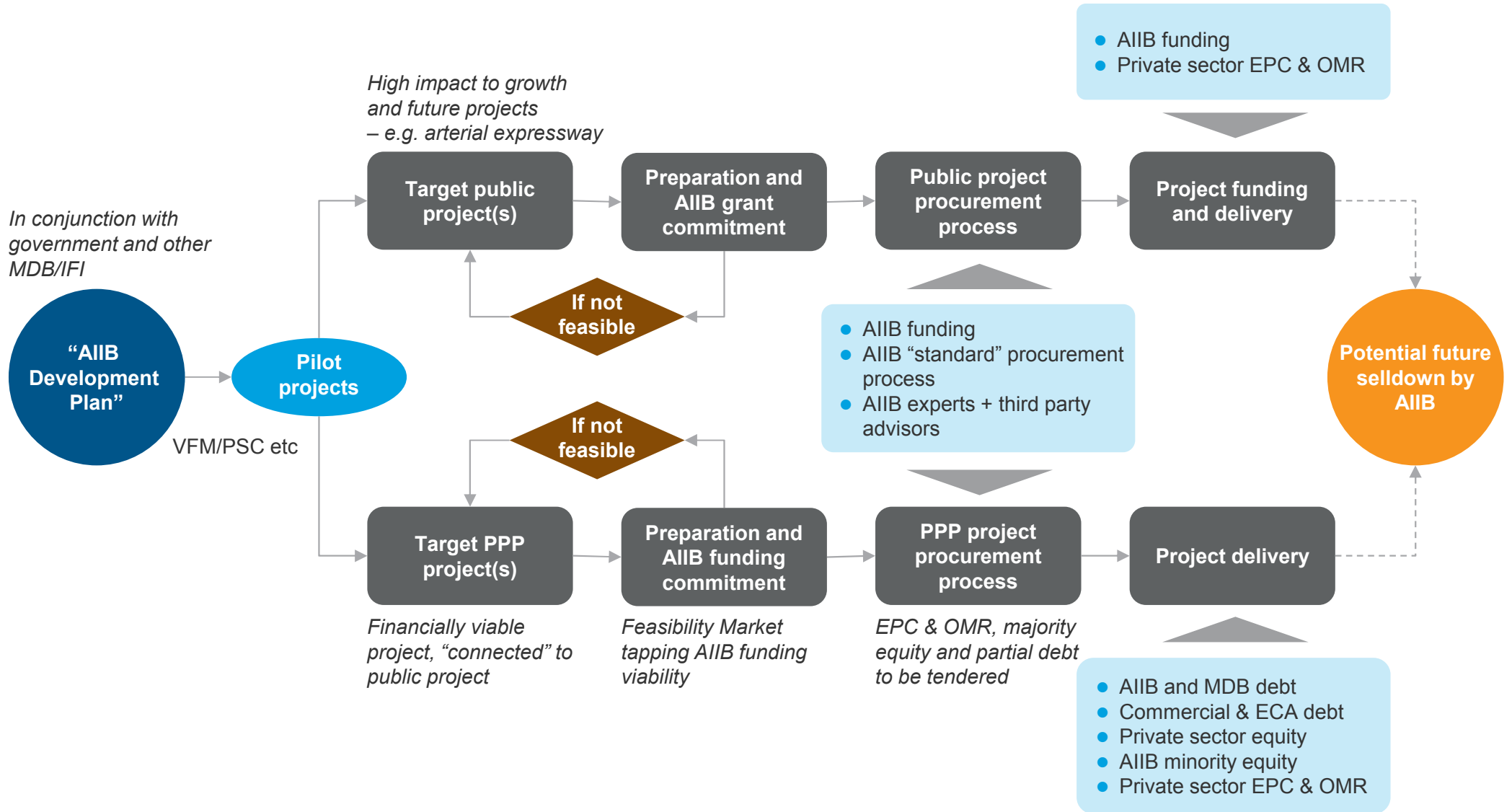
AIB Procurement Guidelines and Policies

Funding Support

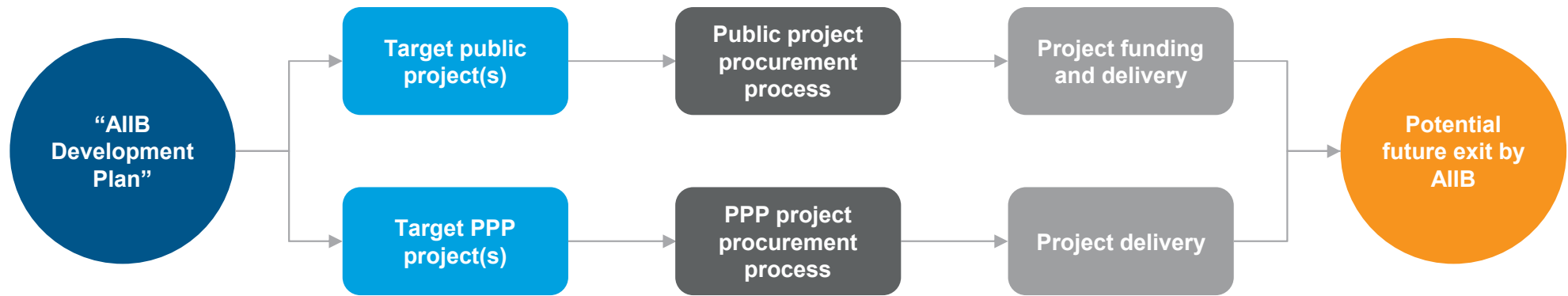
- Funding of pre-tender and tender costs – subject to rules and standards
- Long term project funding
- Grants and concessional financing

Targeted funding with multiplier impact

“AIB Pilot Project”



“AIB Pilot Project” – Simplified



- Long term masterplan
- Based on nation-wide roll-out, not project specific
- Permits timely land acquisition and reserving of capital
- Allows prioritisation of projects
- Identify financing (public/private) and delivery strategies

- Framework for VFM and PSC analysis
- Robust feasibility analysis and planning to improve achievability and shorten post-tender development
- Increased focus on high impact projects

- Establishment of transparent and certain procurement processes
- Bespoke (but international standard) terms
- AIB role in both projects provides certainty and supports viability
- Capacity building

- Funding and delivery certainty
- AIB coordination between projects
- Strong project management

- More efficient utilisation of AIB capital
- Catalyst for development of secondary financing markets



07

Contact and CV



Brad Kim
Managing Director

Professional qualifications

Bachelor of Laws
Bachelor of Commerce
(University of New South Wales,
Australia)

Telephone: +852 3922 1239
Email: brad.kim@macquarie.com

Background

Brad Kim has been with Macquarie since 2000, focusing on infrastructure and utilities. With a focus on development and financing of complex greenfield projects, he has worked in Australia, Asia and the Middle East. During this time, Brad was a founding member of Macquarie's infrastructure advisory teams in Korea and UAE, and has worked on the establishment of a number of specialized infrastructure funds.

Brad has worked on numerous transactions in power, transport and utilities and has worked closely with numerous private and public sector clients to develop bespoke solutions for infrastructure and utilities projects. Brad's experiences include a wide array of project and corporate financing advisory engagements as well as direct principle investments, mostly in emerging markets.

Based in Hong Kong since March 2012, Brad now covers infrastructure and utilities transactions in Asia with a particular focus on South East Asia project financing and broader Asian cross border transactions. In particular, Brad is focusing on PPP and greenfield projects.

Select transactions

- Advisor on various PPP projects in Philippines - Manila LRT1; Mactan Cebu International Airport; Cavite-Laguna Expressway; Laguna Lakeshore Expressway & Dike; Philippines Regional Airports
- Direct investment activities into renewable energy assets in Asia
- Advisor for the bid for 1,500MW and 100MIGD Az Zour South IWPP in Kuwait
- Advisor for the successful development and financing of the Industrial City of Abu Dhabi PPP in Abu Dhabi, UAE
- Advisor for the successful bid and financing for the ADWEA Wastewater Treatment Plant PPP in Abu Dhabi, UAE
- Advisor for the successful bid and financing for the Muharraq Wastewater Treatment Plant PPP in Manama, Bahrain
- Advisor for acquisition by Meiya Power of Yulchon Power Plant in Korea
- Advisor for the successful project financing by Bouygues and Hyundai of the Machang Bridge Project in Masan, Korea
- Advisor for the successful acquisition and project financing by MKIF of New Airport Hiway in Incheon, Korea