

## LETTER TO SHAREHOLDERS



**Jon S. Corzine**  
Chairman and  
Chief Executive Officer

### **DEAR SHAREHOLDERS,**

As I complete my first year at MF Global, I am pleased to report that the transformative steps taken by the board of directors and management to reset the firm's business strategy are well under way. We believe that early indicators demonstrate that our new strategic direction is beginning to yield results. Our market position, revenues and bottom line all have improved over the past year.

On behalf of the board of directors and the management team, I want to thank our clients for their business and our shareholders for their ongoing support. I also want to recognize the dedication and commitment of our employees.

The transformation of MF Global from a futures and options broker to a commodities and capital markets-driven investment bank was centered on three main objectives:

- 1) To create a diversified business that has multiple sustainable sources of growth and profitability across the business cycle.
- 2) To expand the value-added products and services we provide our clients.
- 3) To consistently deliver double-digit returns on equity to our shareholders.

Much has been accomplished, but more remains to be done.

All of us at MF Global are enthusiastic about the opportunities ahead and are committed to building a client-driven, full-service investment bank. Our vision is clear, and the path is known. It will take time, but I believe the outcome will be compelling for all of our stakeholders.

## Positioning MF Global for Change

The resetting of our strategy has occurred in the midst of extraordinary challenges in the world at large. Quantitative easing, historically low interest rates, commodity price shocks and debt crises across the globe have pushed market participants to intensify risk management practices and re-price relative values. Devastating natural disasters in Japan and New Zealand, along with sweeping new democratic movements in North Africa and the Middle East, captured the world's attention and moved markets. All in all, the past year has been extraordinary, and we at MF Global worked closely with our clients to help them navigate uncertainty and volatility.

The last 12 months were also pivotal in resetting market structures in response to the stresses revealed in the crisis of 2008. Congress' passage of financial reform and subsequent rulemaking have created opportunities while also increasing uncertainty and requiring de-risking for many market participants' businesses. Similar steps are ongoing among regulators across the globe as the need for jurisdictional harmonization grows. The objective of these reforms has been to reduce systemic risk, improve transparency and minimize the build-up of moral hazards endemic to markets before the 2008 crisis. On balance, we applaud these initiatives, as they reduce the prospects of contagion from the failure of systemically important institutions while holding all investors and intermediaries more responsible and accountable for their actions.

At MF Global, we see these structural changes as supportive elements for building our business. The growing interconnectedness of markets, an

expanding global economy and new regulatory limits on risk and leverage are creating new demands for risk intermediation services. These factors are happening at a time when competitive capacity is shrinking. We believe our strategic direction squarely aligns MF Global's competitive strengths with this evolving regulatory and financial landscape.

The ongoing regulatory reforms recognize and embrace the transparency of exchange-traded products and emphasize the risk reduction associated with clearing through central counterparties—both areas of longstanding strength for MF Global. We are using these core competencies as a calling card for welcoming new clients around the world. While the world's largest financial firms focus their efforts increasingly on the world's largest investors, we see that an opening has been created with underserved, emergent and middle-market participants, particularly commodity-focused companies and financial institutions. We intend to deploy people, capital and our ideas to meet the needs of this market segment.

## Leveraging Our Competitive Strengths

Our strategy's execution is organized around the four pillars that we believe represent the best opportunities: Capital Markets, Prime Services, Retail Services and Asset Management.

Implementation of our strategy is well under way as we built out our broker-dealer activities and created capacity and a culture of discipline around principal activities across commodity, fixed income, foreign exchange, equity and derivatives markets. The firm's progress within the Capital Markets area is evidenced by our growing revenue and more specifically by principal activities expanding from 16 percent of revenue to 26 percent in 2011.

Our designation in January as a primary dealer for U.S. Treasuries illustrates our growing capabilities and helped support our efforts to broaden our client facilitation activities substantially. As we fill personnel gaps, establish a one-firm culture and move toward the full installation of our investment banking model, we expect that trading and sales will represent an increasing portion of total revenue.

Within Prime Services, we have begun to build on our market leadership in exchange-traded derivatives, along with our existing advantages in clearing across asset classes for small and mid-size financial and commodity-oriented institutions.

This year, we also aligned and strengthened our Retail division globally, unifying our brand, people and products into a single global offering. This effort leverages a clear competitive advantage for more-efficient market access to futures and options, equities and foreign exchange for global retail clients.

Finally, the growing investment demand for commodities beyond traditional end users is a substantial opportunity for MF Global to leverage our longstanding position as a leading broker in these products. Our



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experience, relationships and capacity to trade and clear commodity assets provide an opportunity for us to cross-sell other assets and lay a solid foundation to expand our commodity activities into asset management. We are actively exploring options to meet this strategic end.

### Enhancing Our Capital Structure

Another priority last year was strengthening our capital structure and increasing our flexibility to grow and invest in our business. Among the most important steps we took were to decrease the amount of our high-cost debt, extend the permanency and maturities of our capital and grow internally generated funds by improving our operating performance.

We completed a successful convertible senior note offering as well as a public equity offering, and we amended and extended our revolving credit facility. In addition, the resizing of our low-margin businesses reduced our gross leverage by 28 percent, while the growth in our client payables illustrates improving confidence in MF Global as a counterparty.

At fiscal year-end, our balance sheet was significantly improved. Our debt decreased while equity expanded. This disciplined approach to our capital structure and better decisions regarding the deployment of that capital will continue as we effect our transformation.

### Creating a Culture of Excellence

While structure is important, it is our people who will actually deliver on this new strategic direction. In the last 12 months, our employee base has changed dramatically. We reduced the size of our staff while bringing in talent with extensive and proven leadership, and they are helping us execute our new priorities.

With additions to our business and functional areas—from risk management to trading and sales to our executive leadership team—the infusion of talent

is having a substantial effect on the firm’s capabilities and capacity to meet clients’ needs. The process of positioning the right people in the right jobs is essential to our future success, and we are committed to getting it right.

Our people are at the core of defining and sustaining our firm’s culture, the cornerstone of which is our commitment to building and maintaining the trust of our clients. Collectively, we will achieve our long-term objectives through the integrity with which we approach our work and the ethical handling of our clients’ business.

### Advancing Toward Our Objectives

Our performance in fiscal 2011 reflected our efforts to move MF Global toward its new strategic direction. Our revenue increased 5 percent, while headcount was down and our overall cost structure was lower. EBITDA more than doubled to \$173 million, and earnings have improved. In short, we are delivering greater productivity from our new and existing resources while we continue to invest in the future. Net revenue per employee increased 11 percent and compensation-to-revenue declined 6 percentage points, reflecting the realignment of employee compensation to our one-firm, pay-for-performance philosophy.

While our results are not yet representative of what investors can—and should—expect, our performance demonstrates that we are on track to deliver improved returns to our shareholders. We will be relentless in our pursuit of outsized performance for our clients and our shareholders. Our goal is to double revenue, expand operating profit and deliver sustainable, double-digit returns on equity over the next three to five years.

This past year reminded all of us that markets are unpredictable and challenging. Our job is to offer our clients clear direction in the midst of change by providing quality service, good ideas and global market access—the ability to make sense of all that is unfolding around the world from a single, well-positioned source.

I look forward to the year ahead, as we continue the exciting work of transforming and strengthening MF Global.

Regards,

**JON S. CORZINE**  
Chairman and Chief Executive Officer