



ASX/Media Release

MACQUARIE GROUP OPERATIONAL BRIEFING

Key points

- **Currently anticipate FY09 profit being approximately \$0.9b after allowing for an additional \$900m in writedowns and impairment charges for the second half (after \$1.1b of writedowns and impairment charges in the first half)**
- **Operating income (before impairments) is expected to be down 15%**
- **Outlook remains subject to significant swing factors including market conditions, asset realisations, completion rate of transactions and asset prices**
- **Market conditions remain extremely challenging, but opportunities are emerging**
- **Balance sheet funding and liquidity further strengthened since 30 September 2008, completing approximately \$21b (gross) of new funding initiatives**
- **Cash and liquid assets of \$32.1b¹ significantly exceed short term wholesale issued paper of \$12.7b**
- **Active across businesses and geographies**
- **Group using strong balance sheet for business growth and to support clients' capital needs**

SYDNEY, 5 February 2009 – Macquarie Group Ltd today updated the market on its balance sheet funding, expectations for the current year profit and Macquarie's medium term business focus.

Speaking at Macquarie's Operational Briefing in Sydney today, Macquarie Managing Director and Chief Executive Officer, Nicholas Moore, said that global market conditions remain exceptionally challenging.

Macquarie's business groups, however, are busy and continuing to pursue new opportunities arising from market conditions.

¹ This represents proforma 31 Dec 08 unaudited balances which incorporate the \$US2.5b (\$A3.7b) 3 year private placement issued early Jan 09

Mr Moore reported that Macquarie anticipates profit for the year to 31 March 2009 will be approximately \$0.9b after allowing for an additional \$900m of writedowns and impairment charges in the second half (after \$1.1b of writedowns and impairment charges in the first half). Operating income for the year is expected to be down 15% (before impairments).

The outlook remains subject to significant swing factors previously identified, including market conditions, asset realisations, completion rate of transactions and asset prices.

“We informed the market at our 2008 full year results, 2008 AGM and the 2009 first half results presentation that unprecedented market conditions made short term forecasting extremely difficult. On 8 January 2009, Macquarie advised that market conditions were exceptionally challenging for almost all Macquarie’s businesses, adversely impacting levels of business activity and profitability,” Mr Moore said.

During his presentation, Mr Moore described the impact of market conditions on each of Macquarie’s business groups: Macquarie Capital, Treasury and Commodities, Macquarie Securities, Banking and Financial Services, Macquarie Funds Group and Real Estate Group and outlined in detail activity levels in each of the businesses.

Strengthened balance sheet

Mr Moore noted the critical importance of balance sheet strength for all financial institutions at this time. Since 30 September, Macquarie has continued to strengthen the Group’s balance sheet funding and liquidity, completing approximately \$21b (gross) of new funding initiatives.

These include:

- \$9.1b of planned reductions in low-yielding funded assets achieved since 30 September 2008 to date, bringing the total to \$13b;
- Total deposits increased by \$1.4b to \$18.1b with retail deposit growth being particularly strong; and
- Term funding of \$10.9b issued to date since introduction of the government guarantee scheme

Cash & liquid assets of \$32.1b¹ significantly exceed short term wholesale issued paper of \$12.7b.

The Group’s regulatory capital position remains strong with a \$2.9b buffer of capital in excess of the Group’s minimum capital requirements.

Responding to market conditions

Mr Moore said that despite current market conditions, Macquarie is well placed in the medium term.

“The fundamental business is sound and Macquarie continues to deliver the highest quality service to clients and expects to attract new clients in these challenging markets. Despite a scarcity of capital in the world, we continue to support our clients’ capital needs and provide opportunities and products which are of value to them.”

Mr Moore said that while Macquarie’s investment in its balance sheet incurred some short term cost, it ensured the group was well positioned to take advantage of value accretive opportunities.

He noted that the Group remains active across businesses and geographies.

“Opportunities for organic growth and acquisitions are being identified across the Group. Yesterday, Macquarie Cook Energy announced the acquisition of Constellation’s downstream natural gas trading operation in the US,” Mr Moore said.

Over the past year, Macquarie has been successfully divesting or exiting lower return businesses, and has undertaken operational management initiatives to ensure costs and staffing levels are in line with the level of activity in each business.

Each business is actively managing all its operating costs. Staffing levels have fallen from 13,898 at 30 September 2008 to 12,851 at 31 January 2009.

Medium term focus

At the briefing, Mr Moore reiterated that Macquarie’s model had always been focused on the medium term and based on the following principles:

- client driven business
- alignment of interests with shareholders, investors and staff
- conservative approach to risk management
- incremental growth and evolution
- diversified by business and geography
- an ability to adapt to change

“We have strong risk management across the Group which has served us well during the market dislocation of the past 18 months.

“We have a strong balance sheet, strong team and strong core businesses. We continue to maintain a cautious stance with a conservative approach to funding and capital,” Mr Moore said.

Today’s investor presentation and the webcast of the briefing is available at

http://www.macquarie.com.au/au/about_macquarie/investor_information/ops_briefings.htm

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