



## **ASX/Media Release**

### **Investor presentation and outlook update**

**SYDNEY, 7 September 2011** – As part of its regular investor communications program, Macquarie Group (Macquarie) (ASX: MQG; ADR: MQBKY) will be presenting at various international investor conferences throughout September.

Contained within the presentation (see attached) is an update to the short term outlook statement that Macquarie provided at the Group's Annual General Meeting on 28 July 2011. Notably:

- the Group's capital markets facing businesses (Macquarie Capital, Macquarie Securities Group, and Fixed Income, Currencies and Commodities) experienced difficult trading conditions in August 2011
- given these difficult trading conditions, and the previously foreshadowed factors of a higher tax rate in 1H12 and not having the benefit of the MAp Available for Sale (AVS) reclassification (which was included within 1H11), it is expected that 1H12 result will be lower than 1H11
- Macquarie continues to expect an improved result for FY12 on FY11 if market conditions for the remainder of FY12 are not worse than the prior corresponding period, however, it should be noted that market conditions are particularly uncertain at the current time. Macquarie's expectation for FY12 also assumes that it receives the cash amount to be made available to investors which was noted in MAp's recent announcement.

Both 1H12 and FY12 outlooks are subject to market conditions, which are very volatile, the completion rate of transactions and the conducting of period end reviews.

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# Macquarie Group Limited

Merrill Lynch 26<sup>th</sup> Australian Investment Conference

7 September 2011



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This presentation is being made only to investment professionals and must not be distributed to or relied upon by any other person.



# Agenda

1. About Macquarie
2. Update on market conditions
3. Short term outlook and medium term
4. 1Q12
5. Appendix A – FY11 Review



# 1. About Macquarie

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# About Macquarie

## Building for the medium term

Macquarie Funds	<ul style="list-style-type: none"><li>▪ Top 40 global asset manager with \$A304b<sup>1</sup> of assets under management</li><li>▪ Provides clients with access to a diverse range of capabilities and products, including investment management, infrastructure and other real asset management and fund and equity based structured products</li></ul>
Corporate and Asset Finance	<ul style="list-style-type: none"><li>▪ Provider of specialist finance and asset solutions, with over \$A19.2b<sup>2</sup> of loans and assets under finance</li><li>▪ Expertise in aviation, IT&amp;T, rail, manufacturing, energy, motor vehicles and corporate debt</li><li>▪ One of the largest providers of motor vehicle finance in Australia</li></ul>
Banking and Financial Services	<ul style="list-style-type: none"><li>▪ Leading provider of retail advisory services and products</li><li>▪ Full-service retail broking, deposit-taking and services to intermediaries in Australia</li><li>▪ Growing international capabilities: private wealth and alternative asset management</li></ul>
Macquarie Securities	<ul style="list-style-type: none"><li>▪ Top-tier, global institutional securities house with strong Asia-Pacific foundations</li><li>▪ Full-service in Australia, Asia, South Africa and Canada with growing offerings in the US and Europe</li><li>▪ 9<sup>th</sup> largest research house globally covering over 2,400 stocks</li><li>▪ Proven capability in distribution of Asia-Pacific stocks into US and Europe</li><li>▪ Key specialities: infrastructure and utilities, real estate, TMET, resources (mining and energy), industrials and financial institutions</li></ul>
Macquarie Capital	<ul style="list-style-type: none"><li>▪ Global corporate finance capability, including M&amp;A advisory, capital markets and principal investing</li><li>▪ Key specialities: infrastructure, utilities and renewables, resources (mining and energy), real estate, TMET, industrials and financial institutions</li></ul>
Fixed Income, Currencies and Commodities	<ul style="list-style-type: none"><li>▪ Global fixed income, currencies and commodities provider of finance, risk solutions and market access to producers/consumers and financial institutions/investors</li><li>▪ Growing presence in physical commodities (natural gas, power, oil, coal, base metals and freight)</li><li>▪ Predominant in US and Australia, growing presence in Asia and EMEA</li><li>▪ Specialities: commodities, Asian and emerging markets, high yield and distressed debt</li></ul>

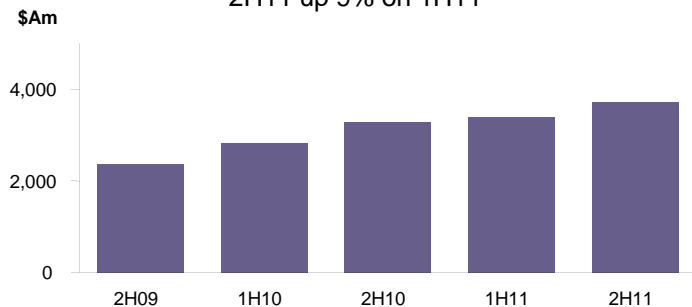
Note: Comparative information presented in this presentation has been restated to reflect the current Group structure. 1. At 30 Jun 11. 2. Including the transfer of Macquarie Air Finance from Macquarie Capital.



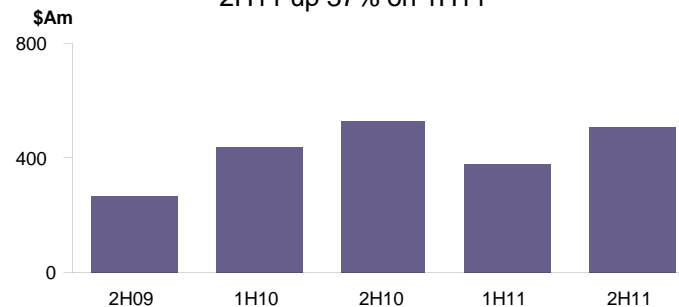
# Financial performance

## Full year ended 31 March 2011

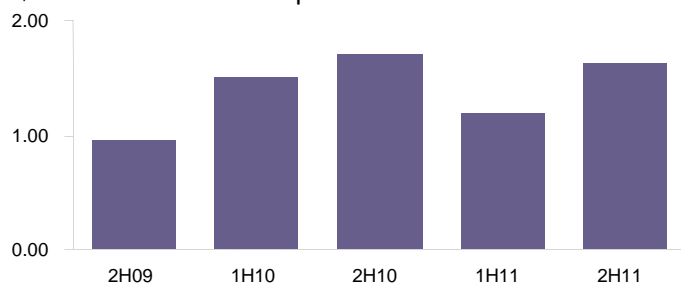
**FY11 Operating income of \$A7,644m**  
2H11 up 9% on 1H11



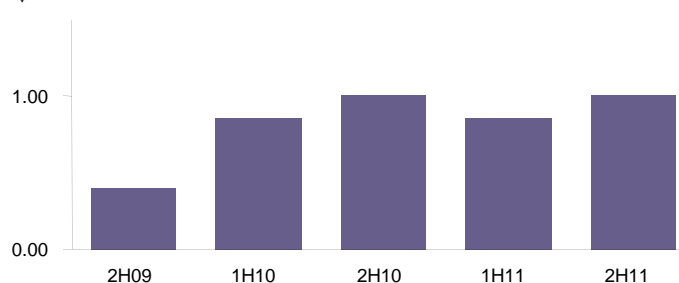
**FY11 Profit of \$A956m**  
2H11 up 37% on 1H11



**FY11 Earnings Per Share of \$A2.83**  
2H11 up 37% on 1H11



**FY11 Dividends Per Share of \$A1.86**  
In line with FY10



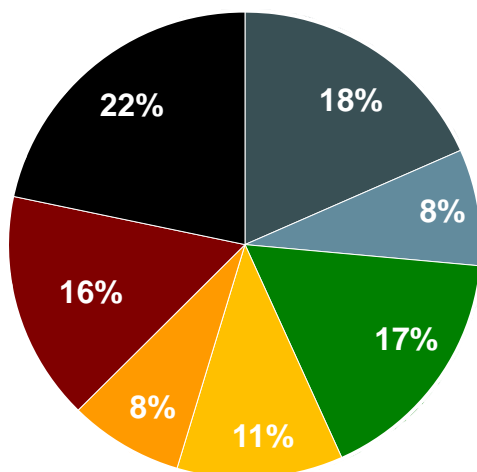


# Diversified income

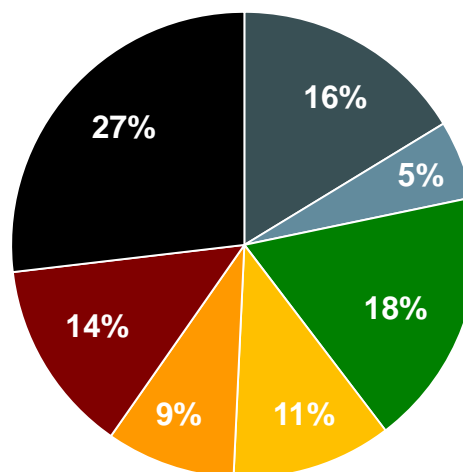
Operating income<sup>1</sup> by source

**Increase in income from annuity style businesses<sup>2</sup> more than offset impact from subdued market conditions**

**12 months to 31 March 10**  
**\$A7.0b**



**12 months to 31 March 11**  
**\$A7.6b**



- Institutional and retail cash equities
- Equity derivatives
- Funds management
- M&A and advisory income
- Asset and equity investments
- Commodities, resources and foreign exchange
- Lending, leasing and margin related income

1. Operating income before writedowns, impairments, equity accounted gains/(losses) and one-off items. 2. Annuity style businesses primarily represent MFG, CAF and BFS.





# Diversified by region

International income<sup>1</sup> 60% of total

Total staff over 15,500<sup>2</sup>; international staff 53% of total

## EUROPE, MIDDLE EAST & AFRICA<sup>3</sup>

Income: \$A1,009m (14% of total)  
Staff: 1,613



## ASIA

Income: \$A1,150m (16% of total)  
Staff: 2,834



## AMERICAS

Income: \$A2,229m (30% of total)  
Staff: 3,723



## AUSTRALIA

Income: \$A2,891m (40% of total)  
Staff: 7,386

1. Operating income for year to 31 Mar 11. Operating income in each region excludes earnings on capital and other corporate items. 2. Staff numbers at 31 Mar 11. 3. Excludes staff in Macquarie First South joint venture and staff seconded to Macquarie Renaissance joint venture (Moscow).

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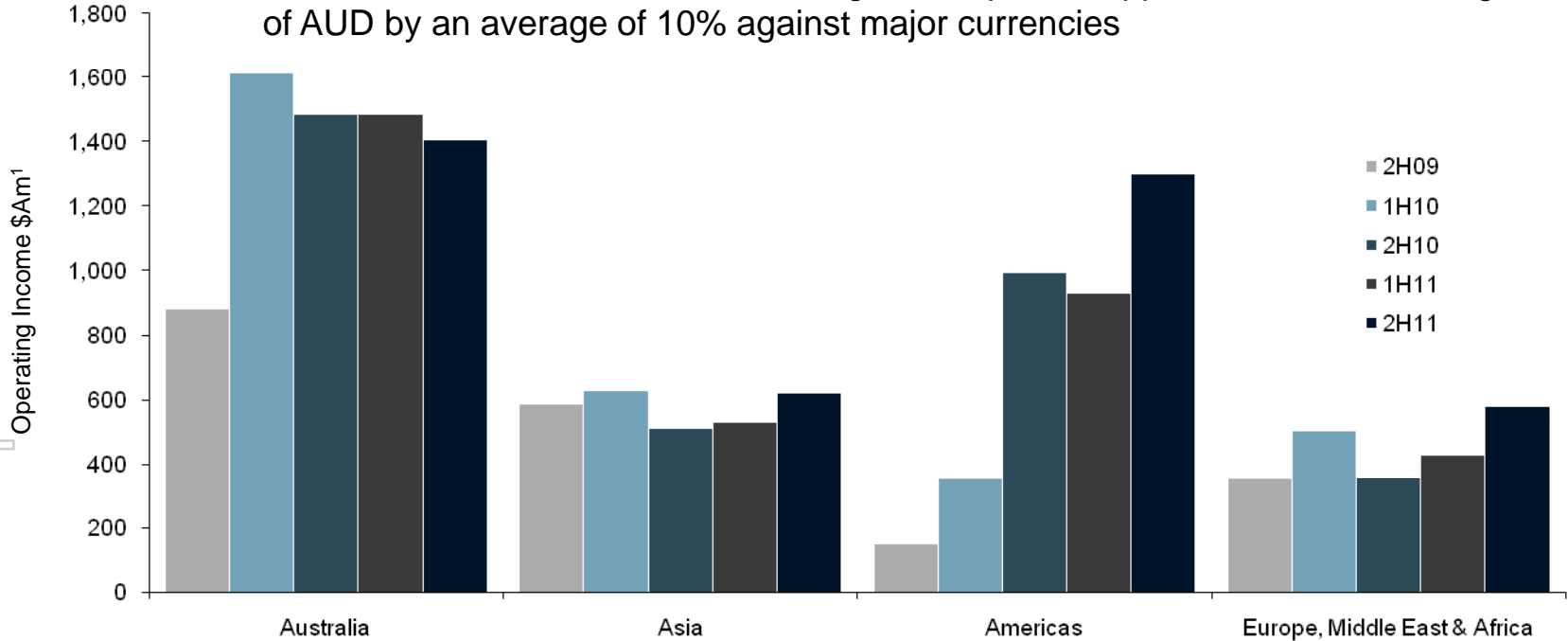


# Diversified income

## Operating income by region

64% of operating income in 2H11 is generated offshore

- FX translation estimated to have a negative impact of approx. 5% due to strengthening of AUD by an average of 10% against major currencies



1. Operating income excludes earnings on capital and other corporate items.



## 2. Update on market conditions

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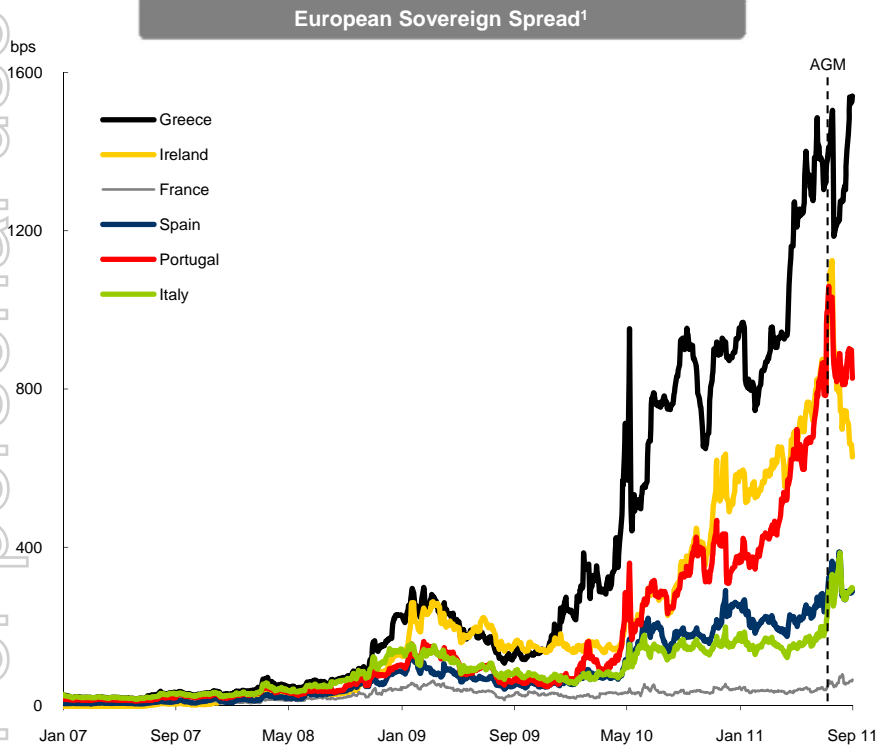
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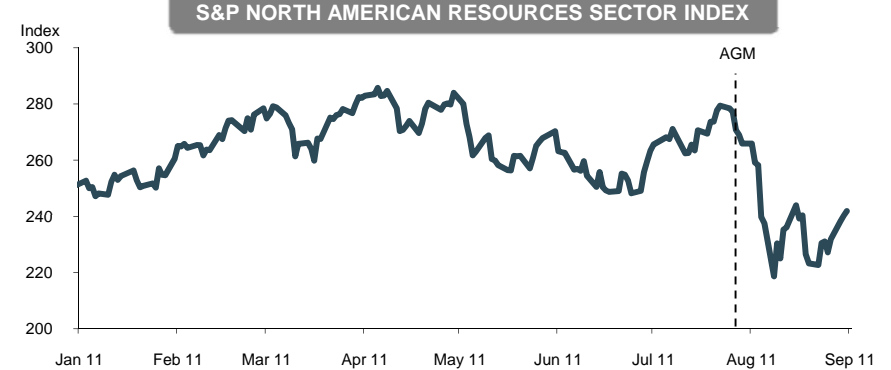
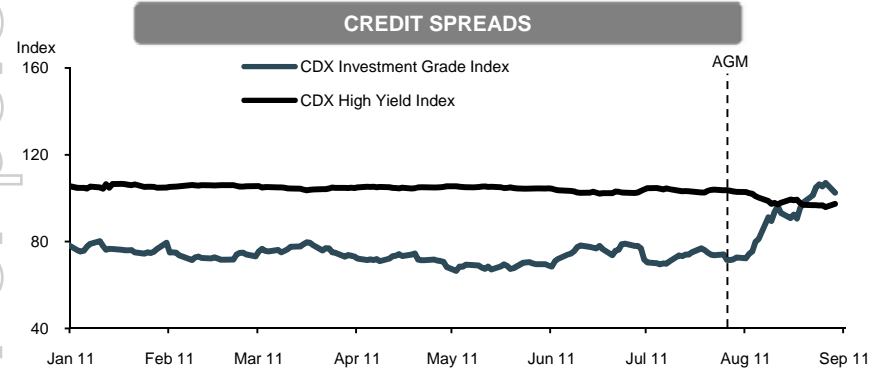
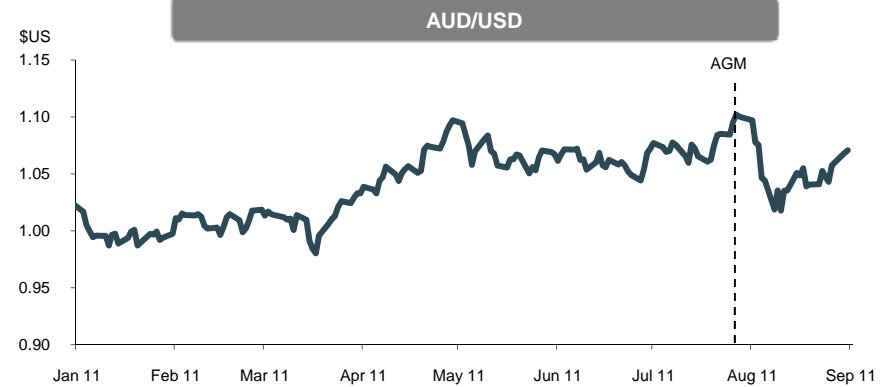
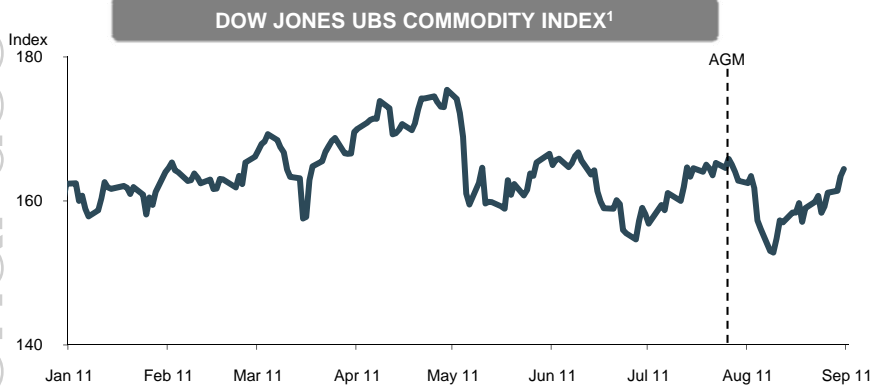
# Update on market conditions



1. Source: Reuters. Data to 31 Aug 11. 2. Source: Bloomberg. Data to 31 Aug 11.



# Update on market conditions

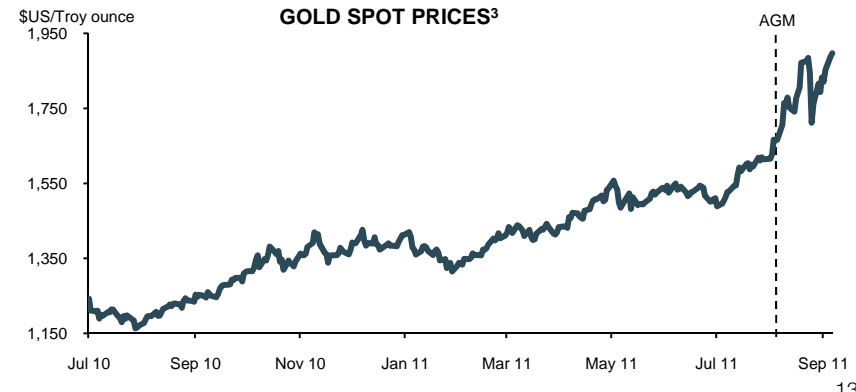
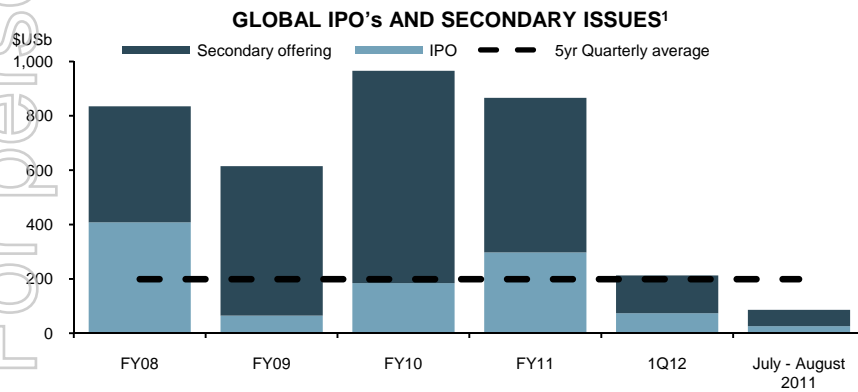
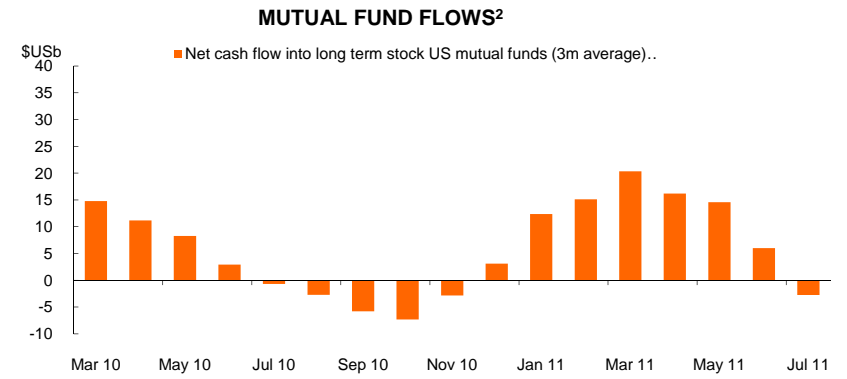
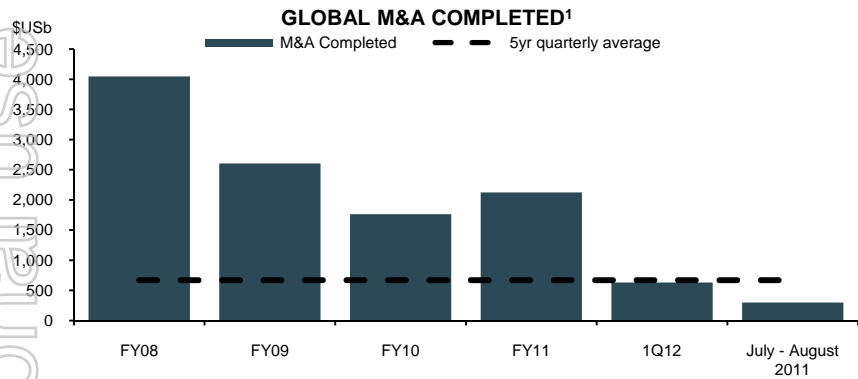


Source: Bloomberg. Data to 31 Aug 11. 1. Index commodities include: Crude Oil, Natural Gas, Gold, Soybeans, Corn, Copper, Aluminium, Wheat, Unleaded Gasoline, Heating Oil, Silver, Live Cattle, Soybean Oil, Sugar, Cotton, Zinc, Coffee, Lean Hogs, Nickel.

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# Update on market conditions



1. Source: Thomson Reuters, data based on completed transactions. FY data based on year ended 31 Mar. 1Q data based on quarter ended 30 Jun. 2. Mutual funds flow: Shows the net inflow/outflow of money into long-term mutual funds. Source: Datastream. 3. Source: Bloomberg.



## 2. Short term outlook and medium term

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# Short term outlook update

- Market uncertainty remains, making forecasting difficult
- Summarised below are the outlook statements for each operating group, the FY12 results for which will vary with market conditions

Operating Group	Net profit contribution				
	FY07-FY11 historical range	FY07-FY11 average	FY11	FY12 outlook as updated at AGM	Update to FY12 outlook
Macquarie Securities	\$A0.2b - \$A1.2b	\$A0.6b	\$A0.2b	FY12 to be up on FY11 assuming better market conditions than FY11	FY12 to be broadly in line with FY11 assuming better market conditions and higher completion of ECM pipeline than in 1H12
Macquarie Capital	\$A(0.1)b - \$A1.6b	\$A0.7b	\$A0.2b <sup>1</sup>	FY12 to be up on FY11 assuming better market conditions than FY11	FY12 to be broadly in line with FY11 assuming better market conditions and higher completion of ECM pipeline than in 1H12 <sup>1</sup>
Macquarie Funds	\$A0.3b - \$A1.1b	\$A0.7b	\$A0.5b <sup>4</sup>	FY12 to be up on FY11	No change
FICC	\$A0.5b - \$A0.8b	\$A0.6b	\$A0.6b	FY12 to be broadly in line with FY11	FY12 to be lower than FY11
Corporate and Asset Finance	\$A0.1b - \$A0.5b <sup>2</sup>	\$A0.2b	\$A0.6b <sup>1</sup>	FY12 to be up on FY11	No change <sup>1</sup>
Banking and Financial Services	\$A0.2b - \$A0.3b <sup>3</sup>	\$A0.3b	\$A0.3b	FY12 to be broadly in line with FY11	No change
Corporate	<ul style="list-style-type: none"> <li>Compensation ratio to be consistent with historical levels</li> <li>Continued higher cost of funding reflecting market conditions and high liquidity levels</li> </ul>				FY12 likely to be impacted by recently announced MAp cash amount

1. Macquarie Capital FY11 has been restated down by approximately \$A70m due to the consolidation of Macquarie's aviation businesses, including Macquarie AirFinance, within Corporate and Asset Finance. 2. Range excludes FY09 provisions for loan losses of \$A135m related to Real Estate Structured Finance loans as this is a restructured business. 3. Range excludes FY09 loss on sale of Italian mortgages of \$A249m as this is a discontinued business. 4. Macquarie Funds FY11 has been restated for Macquarie's equity investment in MAp transferred from Macquarie Funds to Corporate.





# Short term outlook update

Since our previous update on 28 July 2011, the capital markets facing businesses experienced difficult trading conditions in August 2011

Given these difficult trading conditions along with the higher tax rate in 1H12 and not having the benefit of the MAp AVS reclassification included within the pcp (1H11), we expect that the 1H12 result will be lower than 1H11

We continue to expect an improved result for FY12 on FY11 if market conditions for the remainder of FY12 are not worse than the pcp, however, it should be noted that market conditions are particularly uncertain at the current time. Our expectation for FY12 also assumes that we receive the cash amount to be made available to investors noted in MAp's recent announcement

Both 1H12 and FY12 outlooks are subject to market conditions, which are very volatile, the completion rate of transactions and the conducting of period end reviews

In addition to market conditions, FY12 result remains subject to a range of other challenges including:

- Movements in foreign exchange rates
- Increased competition across all markets
- Cost of our continued conservative approach to funding and capital
- Regulation, including the potential for regulatory changes



# Medium term

## Macquarie is well positioned to deliver superior performance in the medium term

### Continue to adapt our portfolio mix to changing market conditions

- Annuity style income is provided by three significant businesses which are delivering superior returns following years of investment and recent acquisitions
  - Funds Management, Corporate and Asset Finance and Banking and Financial Services
- Three capital market facing businesses are well positioned to benefit from improvements in market conditions with strong platforms and franchise positions
  - Macquarie Securities, Macquarie Capital and FICC

### Strong and conservative balance sheet

- Well matched funding profile with minimal reliance on short term wholesale funding
- Surplus funding and capital available to support growth

### Proven risk management framework and culture



3. 1Q12

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# 1Q12 - Macquarie Funds

1Q12 up on 1Q11<sup>1</sup>

## INFLOWS CONTINUE AS A RESULT OF STRONG INVESTMENT PERFORMANCE ACROSS ASSET CLASSES AND INVESTMENT STRATEGIES

### Inflows

\$A5.1b of net inflows in 1Q12, including \$A4.6b in MIM strategies and over \$A700m in MIRA funds  
 Highest number of Australian institutional mandates awarded<sup>2</sup>  
 Asian Alpha hedge fund's AUM now over \$A1.2b  
 \$A250m raised in Australian retail structured products, despite weaker appetite generally  
 Strong flows have continued post 30 June, particularly in the MIRA division, with a substantial mandate win in Australia

### New product development

1<sup>st</sup> close of China Infrastructure fund, with \$US729m in available funds  
 1<sup>st</sup> close of Clean Technology and Asia-Pacific Co-Investment funds, with over \$US175m in commitments  
 Initial commitments received for fourth European infrastructure fund

### Operational expertise

Ranked first in Infrastructure Investor magazine's list of top infrastructure investors<sup>3</sup>  
 \$A5.5b fund and asset level re-financings completed across a number of listed and unlisted infrastructure and real asset funds

### Building for the future

Continued build out of Macquarie Investment Management's global distribution platform, with senior hires in Japan and the US

### Platform efficiencies

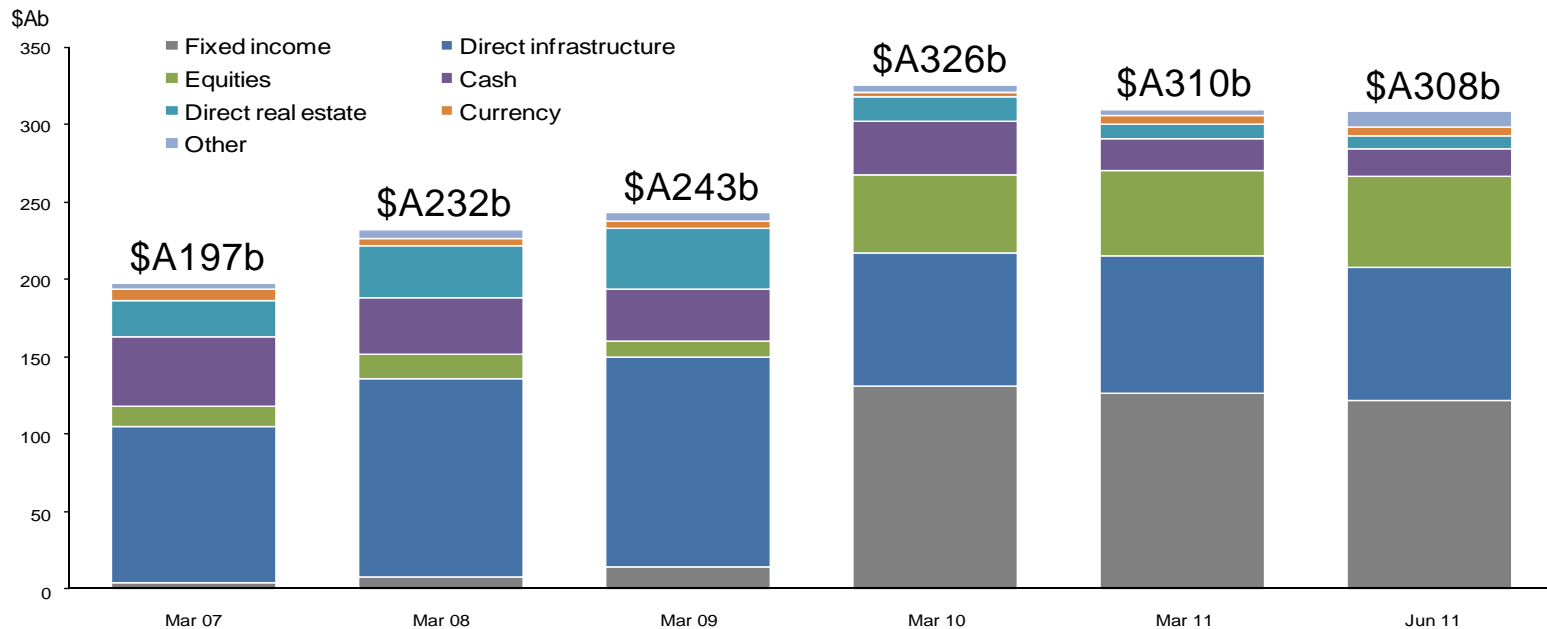
Scale benefits from bringing legacy MFG, Delaware and MIRA platforms together achieving run rate cost savings of 10-15% p.a.  
 Consolidation of Macquarie Allegiance LA operations into Delaware Investments

1. This represents management accounting profit before unallocated corporate costs, profit share and income tax. 2. Source: Rainmaker Mandate Chaser Report for the year to 31 Mar 11. 3. Based on the amount of direct investment in capital the firm has created for the asset class in the last five years.



# Assets under management of \$A308b

- Jun 11 broadly in line with Mar 11
  - Net fund inflows and equity movements broadly offset by decrease due to FX movements





# 1Q12 - Corporate and Asset Finance

1Q12 up on 1Q11<sup>1</sup>

## PORTFOLIOS PERFORMING STRONGLY

### Asset and loan portfolio growth

Asset and loan portfolio:

- flat on prior quarter (4Q11)<sup>2</sup>
- up 11% on pcp<sup>2</sup> (1Q11)

### Business expansion

Extending finance through the customer value chain – from manufacturer to end user:

- motor vehicle manufacturers and dealers in Australia
- technology distributors globally

Commenced mining equipment leasing

### Leasing programmes

Expanded white label programmes in Australia, Asia, Europe and US through manufacturers and vendors

### Building for the future

Continued to access global securitisation markets  
 Continual expansion of global customer relationships – providing a single financing and asset management solution for multinational customers across all locations  
 Continual expansion of global manufacturer and vendor relationships – financing solutions for:

- Asian manufacturers in Europe and North America
- European and North American manufacturers in Asia

Renewed focus on organic growth in existing businesses to enhance efficiencies and scale

### Platform efficiencies

Investing in CAF's lending and leasing systems across geographies and businesses to enhance efficiencies and scale

1. This represents management accounting profit before unallocated corporate costs, profit share and income tax. 2. 1Q12 portfolio changes exclude the transfer of Macquarie AirFinance (MAF) from Macquarie Capital.



# 1Q12 - Banking and Financial Services

1Q12 in line with 1Q11<sup>1</sup>

## REMAINS NO.1 RANKED RETAIL FULL SERVICE BROKER<sup>2</sup>

### Private Wealth/Direct

Named 'Outstanding Institution' at Australian Private Banking Awards<sup>3</sup>  
MPW ASX retail turnover up 5% on prior quarter (4Q11), down 4% on pcp (1Q11)

### Intermediary

Macquarie Wrap ranked No.1 overall<sup>4</sup> in Wealth Insights Platform Service Level Report  
Total funds under management, advice or administration down 1% on prior quarter (4Q11), up 4% on pcp (1Q11)

### Funds Management

Awarded 'Money Management Fund Manager of the Year'<sup>5</sup> for Global Equities and Alternative Investments (Hedge Funds)

### Deposits

Total retail deposits of \$A27.9b, up 5% on prior quarter (4Q11), up 75% on pcp (1Q11)  
CMA deposits of \$A15.7b, up 8% on prior quarter (4Q11), up 293% on pcp<sup>6</sup> (1Q11)

### Platform efficiencies

Outsourced Canadian mortgage servicing and origination to improve margins  
Closure of UK Wrap business  
System rationalisation, process improvement and portfolio mix adjustment expected to result in run-rate cost savings of approx. 5-10% p.a.



# 1Q12 - Macquarie Securities

1Q12 down on 1Q11<sup>1</sup>

## SUBDUED EQUITY MARKETS AND CHALLENGING ECM CONDITIONS

### Cash

Australia: Market share marginally down on pcp (1Q11)  
No.1 equity research/advisory share for European and US institutional investors (Australian equities)<sup>2</sup>  
Continued build out of US and Europe platforms  
Asia: Increased market share in India, Thailand and Singapore on pcp (1Q11)  
No.1 Execution Broker (Asia)<sup>3</sup>

### ECM<sup>5</sup>

Market share up in Australia, Asia, Europe and US on pcp (1Q11)  
Ranked No.13 in US up from 33 in pcp<sup>4</sup> (1Q11)  
Ranked No.15 globally up from 29 in pcp<sup>4</sup> (1Q11)  
Capital raised in 1Q12 up on prior quarter (4Q11) and pcp (1Q11) in Australia, Asia, Europe and US  
Canada down on strong prior quarter (4Q11) and pcp (1Q11)

### Derivatives DeltaOne Trading

Maintained No.1 listed warrants market share in Singapore and Korea

### Platform efficiencies

Ongoing program of system rationalisation, process improvement, back office consolidation and vendor/demand management projects that are achieving run-rate cost savings of approx. 5-10% p.a.

1. This represents management accounting profit before unallocated corporate costs, profit share and income tax. 2. Source: Greenwich Associates European Equity Investors – Australian Equities Sales Research and Trading. 3. Bloomberg. 4. Thomson Reuters Global Equity Capital Markets Review – Managing Underwriters 6 months to 2011 League Tables – Global Equity & Equity-Related (C1) and US Equity & Equity-Related (C1a). 5. ECM involves 50:50 participation by Macquarie Capital and Macquarie Securities.





# 1Q12 - Macquarie Capital

1Q12 up on 1Q11<sup>1</sup>

## ACTIVITY LEVELS BROADLY IN LINE WITH PCP (1Q11) 1Q12 114 Deals \$A24b (1Q11 118 Deals \$A16b)

### Australia/NZ

23 deals at \$A12.8b (1Q11: 16 deals at \$A2.6b)

Including: Royal Adelaide Hospital (Sponsor, Advisory); Fletcher Building (Advisory); Affinity Equity Partners Australia (Advisory, DCM); Mumbida Wind Farm (Co-sponsor); ALE Property Group (DCM)  
Awarded 'Best Domestic Equity House (Australia)' – Asiamoney

### Asia

13 deals at \$A1.7b (1Q11: 15 deals at \$A3.1b)

Including: Minmetals Resources (ECM); PT Harum Energy (ECM); Suzlon Energy (ECM); Huaneng Renewables (IPO); Phoenix New Media (IPO)

### EMEA

8 deals at \$A2.6b (1Q11: 15 deals at \$A3.6b)

Including: APG Algemene Pensioen Groep and Goodman Group led consortium (Advisory); NORMA Group (IPO); HgCapital (Advisory); Powerland Group (IPO); Thames Water (DCM); TDR Capital (Advisory); Infracapital Partners (Advisory)

### Americas

70 deals at \$A7.0b (1Q11: 72 deals at \$A7.0b)

Including: Venetor Group (Advisory), MidOcean Partners (Advisory, DCM), American International Group (ECM), Phoenix New Media (IPO), CoreLogic (Advisory), International Lease Finance (DCM)

### Platform efficiencies

Run rate cost savings of approx. 15% achieved through more efficient management of the business to the current market environment

1. This represents management accounting profit before unallocated corporate costs, profit share and income tax.



# 1Q12 - Fixed Income, Currencies and Commodities

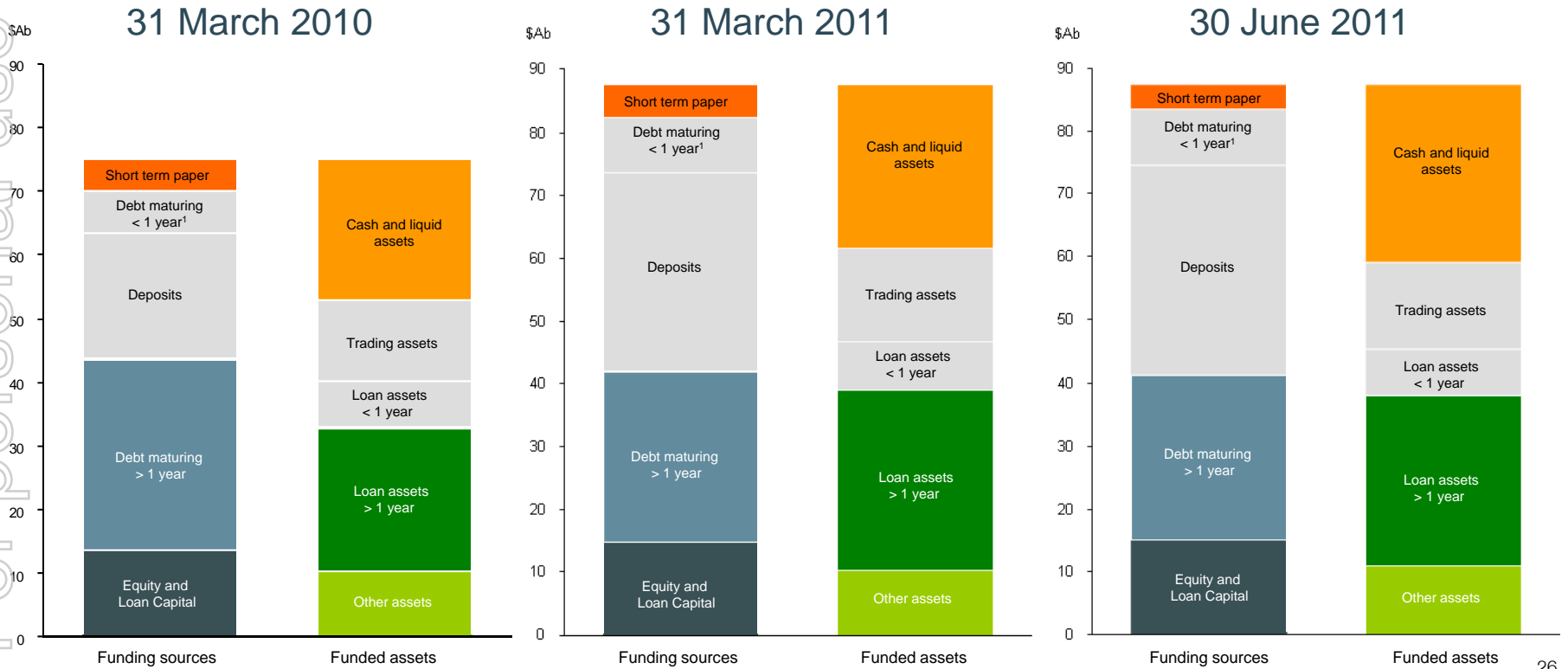
1Q12 down on 1Q11<sup>1</sup>

## REDUCED VOLUMES AND SUBDUED VOLATILITY IN MOST MARKETS

<b>Metals</b>	Modest client activity Low equity realisations
<b>Asian Markets</b>	Phase 1 build out complete MBL Singapore Branch
<b>Agriculture</b>	Geopolitical tensions and adverse weather events impacting trading conditions Mixed agricultural commodity prices
<b>Energy</b>	Subdued natural gas volatility limiting activity No.4 physical gas marketer in North America <sup>2</sup>
<b>FX Volumes</b>	Modest client activity, but increasing diversity of clients
<b>Credit</b>	Europe: Euro government debt concerns resulting in investors reallocating risk US: Active primary high yield issuances. Secondary market for high yield sluggish due to focus on new issue
<b>Building for the future</b>	Dubai Category 4 Branch licence granted
<b>Platform efficiencies</b>	Merged Emerging Markets business with Credit Trading and Fixed Income & Commodities business Investment in offshore platforms continue



# Funded balance sheet remains strong



These charts represent Macquarie Group Limited's funded balance sheets at the respective dates noted above. 1. Includes Structured Notes, Secured Funding, Bonds, Other Bank Loans maturing within the next 12 months and Net Trade Creditors.



# Group capital surplus of \$A2.9b

Group capital of \$A11.6b as at 30 Jun 11, a \$A2.9b buffer of capital in excess of the Group's minimum regulatory capital requirements

Capital has been deployed across the Group to support business growth

Strong Banking Group capital ratios - Tier 1: 11.5%; Total Capital: 15.0%

Our current assessment is that Macquarie has sufficient capital to meet the Basel III capital requirements and leverage ratio requirements





## 4. Appendix A – FY11 overview

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## 2H11 result

Net profit of \$A553m, up 37% on 1H11

Operating income \$A4.0b, up 9% on 1H11

As foreshadowed:

- MFG, CAF and BFS continued to see good activity levels throughout 2H11 benefiting from organic growth and a range of recent initiatives
- Improved general market conditions in 2H11 led to higher activity levels in FICC and Macquarie Capital; subdued equity market conditions continued to impact activity levels in Macquarie Securities
- Fewer writedowns, impairments, equity accounted gains/(losses) and one-off items, 2H11 \$A(17)m loss

Operating expenses \$A3.2b, flat on 1H11

- Employment expenses \$A2.0b, up 5% on 1H11

Profit before tax \$A0.8b, up 56% on 1H11

- EPS \$A1.63, up 37% on 1H11

Return on equity 10.2%, up from 7.4% in 1H11

- 2H11 dividend of \$A1.00 (unfranked), up from 1H11 dividend of \$A0.86



# FY11 result

Net profit of \$A956m, down 9% on FY10

Operating income \$A7.6b, up 15% on FY10

Operating expenses \$A6.4b, up 19% on FY10 primarily due to the full year effect of the expanded global platform

- Employment expenses \$A3.9b, up 25% on FY10 primarily due to a 17% increase in average headcount on FY10 (average headcount FY11: 15,325, FY10: 13,136)

Profit before tax \$A1.3b, in line with FY10

- FX translation: estimated negative impact approx. 5% due to strengthening AUD by average 10% against major currencies

Increase in the full year effective tax rate to 22.8% from 16.1% in FY10

EPS \$A2.83 down 12% on FY10

- Return on equity 8.8% down from 10.1% for FY10

Full year dividend of \$A1.86 per share (unfranked) in line with FY10



# Financial performance reflected improved market conditions in 2H11 compared to 1H11

	2H11 \$Am	1H11 \$Am	Mar 11 \$Am	Mar 10 \$Am
Net operating income	3,983	3,661	7,644	6,638
Total operating expenses	(3,208)	(3,165)	(6,373)	(5,344)
<b>Operating profit before income tax</b>	<b>775</b>	<b>496</b>	<b>1,271</b>	<b>1,294</b>
Tax expense	(197)	(85)	(282)	(201)
<b>Operating profit after income tax</b>	<b>578</b>	<b>411</b>	<b>989</b>	<b>1,093</b>
Profit attributable to non-controlling interests	(25)	(8)	(33)	(43)
<b>Profit attributable to MGL shareholders</b>	<b>553</b>	<b>403</b>	<b>956</b>	<b>1,050</b>



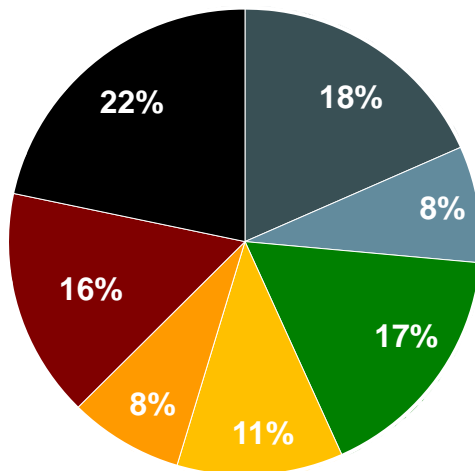


# Diversified income

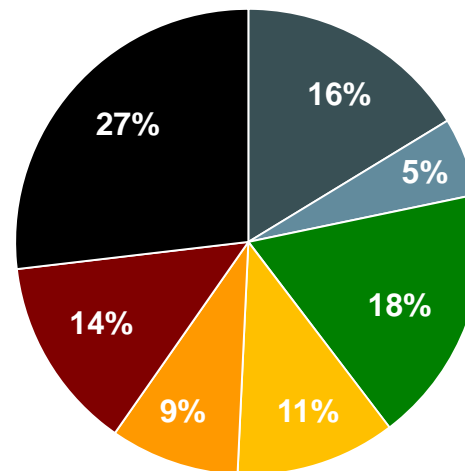
Operating income<sup>1</sup> by source

Increase in income from annuity style businesses<sup>2</sup> more than offset impact from subdued market conditions

12 months to 31 March 10  
\$A7.0b



12 months to 31 March 11  
\$A7.6b



- Institutional and retail cash equities
- Equity derivatives
- Funds management
- M&A and advisory income
- Asset and equity investments
- Commodities, resources and foreign exchange
- Lending, leasing and margin related income

1. Operating income before writedowns, impairments, equity accounted gains/(losses) and one-off items. 2. Annuity style businesses primarily represent MFG, CAF and BFS.

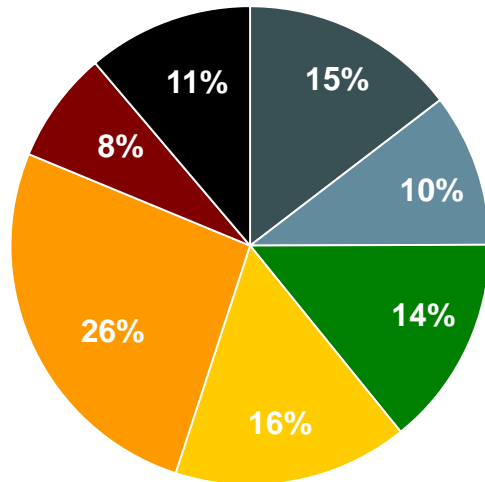


# Diversified income

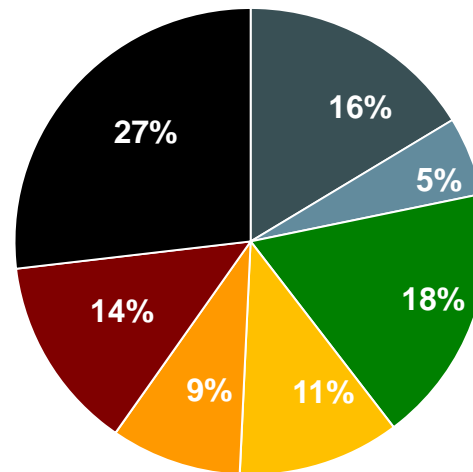
Operating income<sup>1</sup> by source 2007 - 2011

Increase in income from annuity style businesses<sup>2</sup> more than offset impact from subdued market conditions

12 months to 31 March 07  
\$A7.0b



12 months to 31 March 11  
\$A7.6b



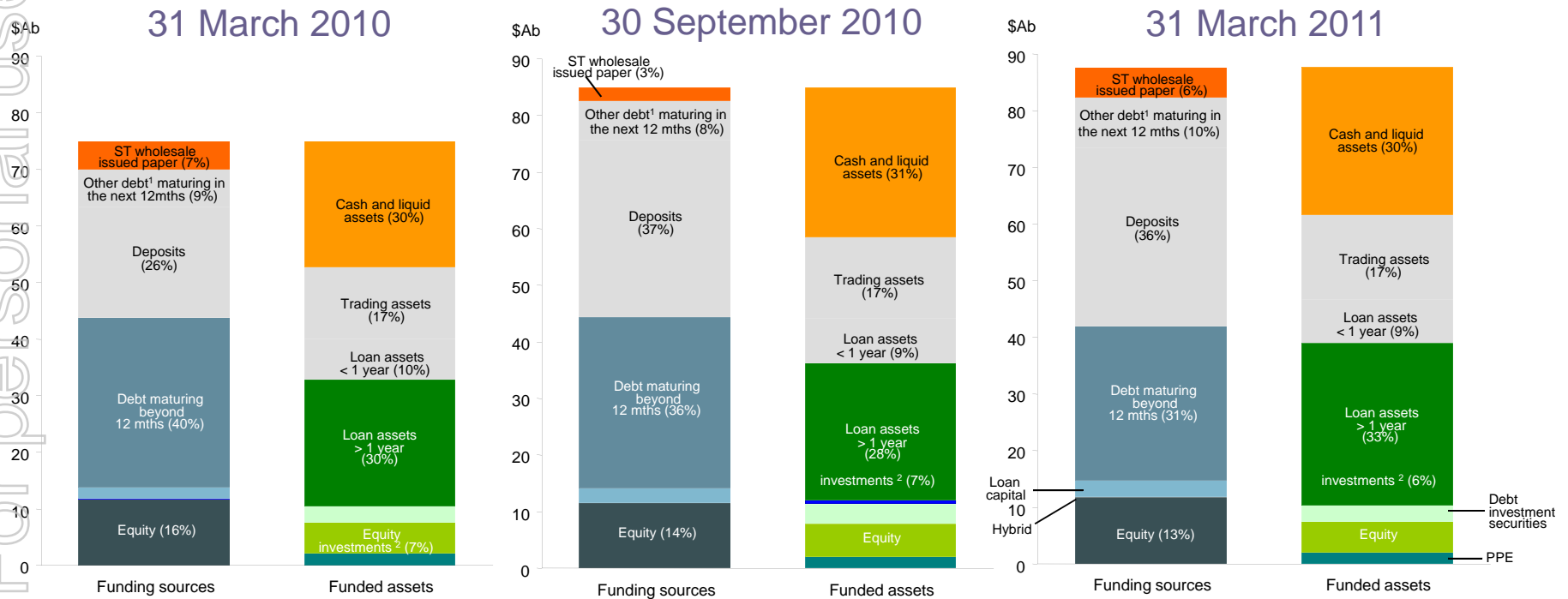
- Institutional and retail cash equities
- Equity derivatives
- Funds management
- M&A and advisory income
- Asset and equity investments
- Commodities, resources and foreign exchange
- Lending, leasing and margin related income

1. Operating income before write-down's, impairments, equity accounted gains/(losses) and one-off items. 2. Annuity style businesses primarily represent MFG, CAF and BFS.



# Funded balance sheet remains strong

## Macquarie Group Limited



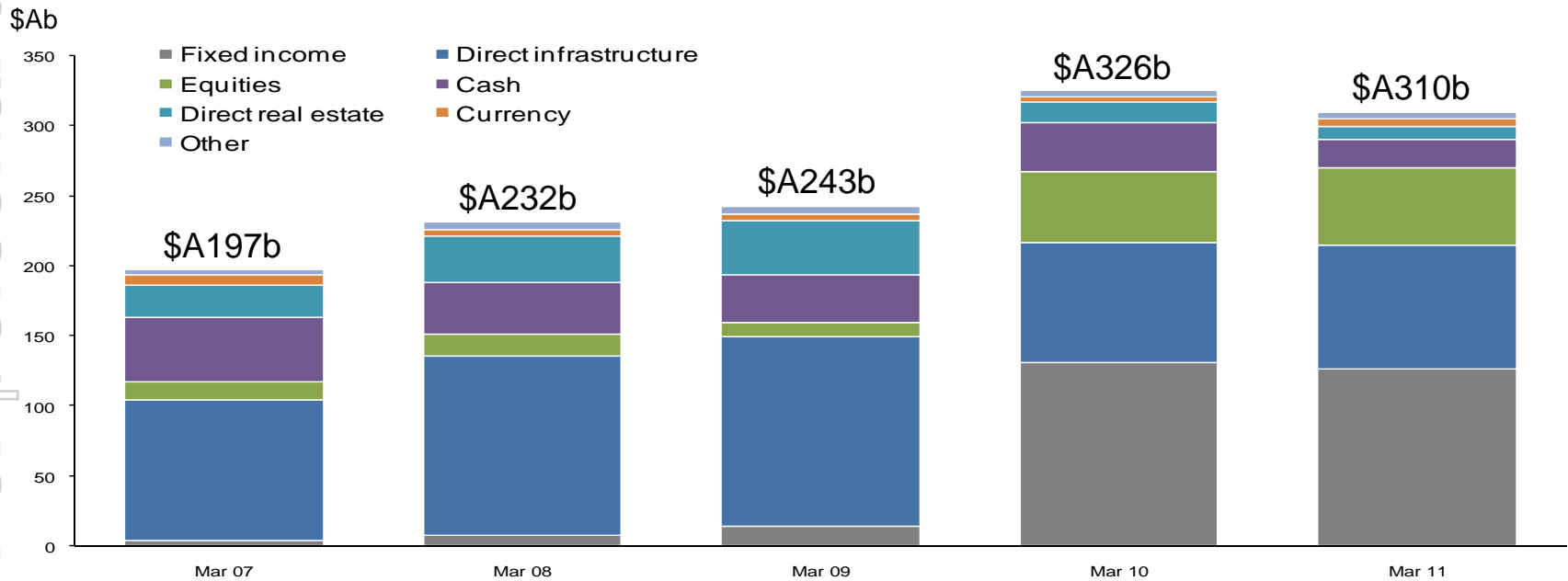
1. Includes Structured Notes, Secured Funding, Bonds, Other Bank Loans maturing within the next 12 months and Net Trade Creditors. 2. This represents the Group's co-investment in Macquarie managed funds and equity investments



# Assets under management of \$A310b

▪ Decrease in AUM due to:

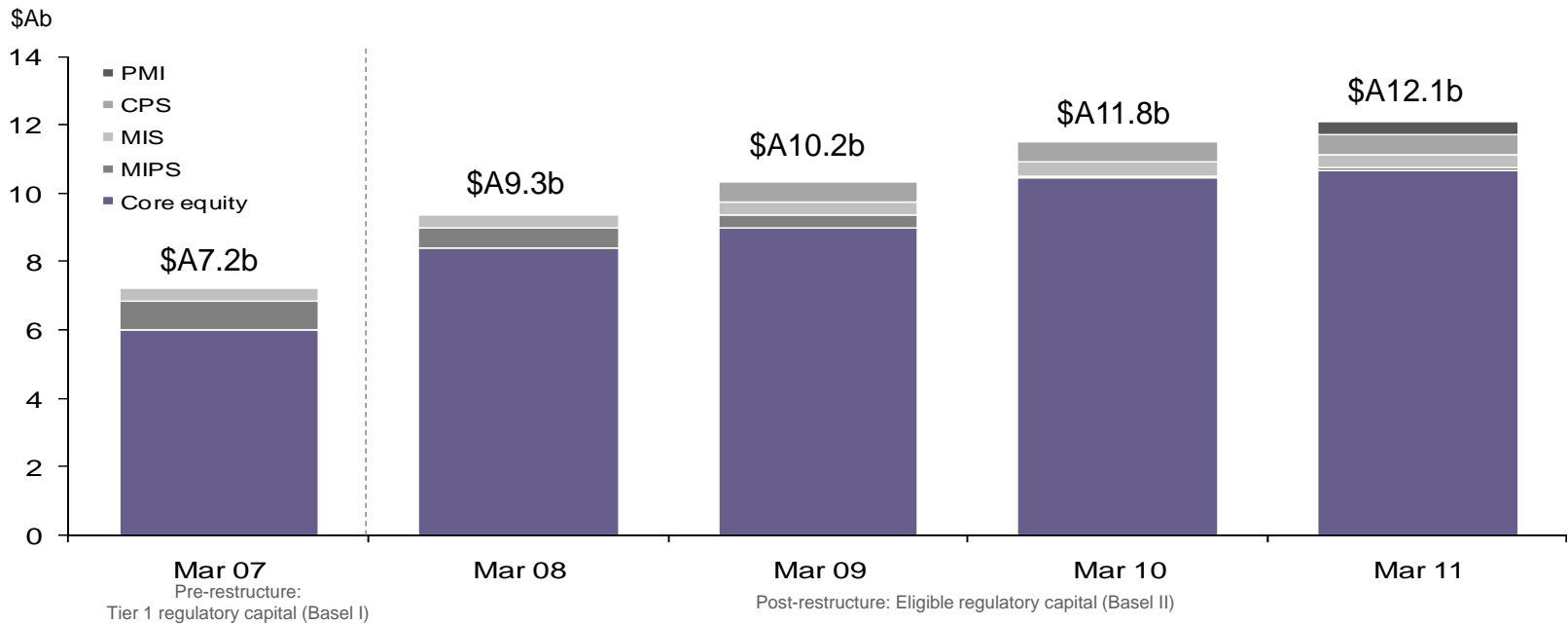
- Impact of CMT transfer into CMA (\$A9.6b in Jul 10)
- Net fund inflows and equity movements of \$A21b, more than offset by decrease due to FX of \$A27b





# Consistently strong capital base

- Well capitalised – surplus over Group’s minimum regulatory capital requirement of \$A3.0b
- Core equity represents 88% of the Group’s capital base
- Capital increased in FY11 due to PMI issue, net of reductions from the MEREP on-market purchase and FX movements





# Macquarie Securities

Operating income of \$A1,299m, down 12% on prior year

Net profit contribution of \$A175m, down 70% on prior year

	Australia	Asia	US	Europe
	<b>Activity</b>	<b>Activity</b>	<b>Activity</b>	<b>Activity</b>
<b>Cash</b>	<ul style="list-style-type: none"> <li>Market share for FY11 of 9.2% down from 10.8% in prior year</li> <li>No.1 overall research and sales strength<sup>1</sup> for Asian institutional investors and No.1 equity research/advisory share<sup>2</sup> for European and US institutional investors for FY11</li> </ul>	<ul style="list-style-type: none"> <li>Increased market share for FY11 in Korea, India, Indonesia, Thailand and Philippines on prior year</li> <li>No.1 execution broker in Asia<sup>4</sup> in FY11</li> <li>No.2 equity research/advisory share for Asian equities for US, UK and European investors<sup>5</sup> in FY11</li> </ul>	<ul style="list-style-type: none"> <li>Cash commissions up 31% on prior year reflecting continued improvement in client panels</li> <li>Over 500 stocks under coverage in FY11 up from 485 in prior year</li> </ul>	<ul style="list-style-type: none"> <li>Cash commissions up 69% on prior year reflecting continued improvement in client panels</li> <li>Continued business growth with Sal. Oppenheim acquisition completed in Apr 10, broadening pan-European business</li> <li>Stock coverage over 400 stocks in FY11, up from over 270 in prior year</li> </ul>
<b>ECM</b>	<ul style="list-style-type: none"> <li>Market share for FY11 of 16.8% down from 31.2% in prior year</li> <li>Capital raised for FY11 \$A6.3b down 73% on prior year. 2H11 capital raised \$A4.3b significantly up on 1H11</li> </ul>	<ul style="list-style-type: none"> <li>Market share for FY11 of 5.7%, up from 4.3% in prior year</li> <li>Capital raised for FY11 \$US19.7b up 93% on prior year</li> <li>IFR Asia named Agricultural Bank of China IPO "Global IPO of the Year", where Macquarie acted as joint lead book-runner and global coordinator</li> </ul>	<ul style="list-style-type: none"> <li>Market share for FY11 of 0.5% up from 0.1% in prior year</li> <li>Capital raised for FY11 \$US1.9b, significantly up on prior year</li> </ul>	<ul style="list-style-type: none"> <li>Market share for FY11 of 0.4% down from 1.0% in prior year</li> <li>Capital raised for FY11 €0.5b down 80% on prior year</li> </ul>
<b>Derivatives DeltaOne</b>	<ul style="list-style-type: none"> <li>No.2 market share for FY11 in listed warrants compared to No.1 in prior year<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>No.1 market share for FY11 in listed warrants in Singapore and Korea, unchanged on prior year. No.3 in HK, unchanged on prior year</li> </ul>		<ul style="list-style-type: none"> <li>Macquarie Germany is within the top 10 issuers in Germany in terms of market share</li> <li>Sal. Oppenheim acquisition completed in Apr 10. Structured product platform in Europe grown to having over 40,000 listed products on issue since product launch in Aug 10</li> </ul>

1. Peter Lee Associates Survey of Asian Institutional Investors – Australian Equities 2010. 2. Greenwich Survey of US Institutional Investors – Australian Equities and Greenwich Survey of European Institutional Investors – Australian Equities. 3. Local exchanges. 4. Bloomberg. 5. Greenwich Surveys of US, UK and European Institutional Investors – Asian (ex Japan) Equities 2010



# Macquarie Securities

Operating income of \$A1,299m, down 12% on prior year

Net profit contribution of \$A175m, down 70% on prior year

	Canada	South Africa	
	<b>Activity</b>	<b>Activity</b>	<b>Platform Growth</b>
<b>Cash</b>	<ul style="list-style-type: none"> <li>Market share for FY11 of 1.9% up from 1.7% in prior year</li> </ul>	<ul style="list-style-type: none"> <li>Market share for FY11 of 3.9% up from 3.2% in prior year</li> </ul>	<ul style="list-style-type: none"> <li>Continued to improve client rankings and grow market share across most markets, now the 9<sup>th</sup> largest research house globally covering over 2,400 stocks</li> <li>Continued investment in global electronic execution platform</li> <li>Consolidating the build out in Europe and US around core global sectors</li> </ul>
<b>ECM</b>	<ul style="list-style-type: none"> <li>Market share for FY11 of 3.5% down from 3.7% in prior year</li> <li>Capital raised \$C2.4b up 23% on prior year. 2H11 capital raised \$C1.6b significantly up on 1H11</li> </ul>	<ul style="list-style-type: none"> <li>Market share for FY11 of 17.4% up from 0.6% in prior year. Market share for 2H11 40.2% up from 3.0% in 1H11</li> <li>Capital raised \$US0.8b, significantly up on prior year. 2H11 capital raised \$US0.7b up from \$US0.1b in 1H11</li> </ul>	<ul style="list-style-type: none"> <li>Continued to increase market share in ECM globally</li> </ul>
<b>Derivatives DeltaOne</b>		<ul style="list-style-type: none"> <li>Reduced market activity and low volumes</li> </ul>	<ul style="list-style-type: none"> <li>Significant investment in Derivatives DeltaOne technology and infrastructure to build a global, scalable platform</li> <li>Focus on product roll-out and development of the distribution platform</li> <li>Extend retail structured products footprint into Europe via the Sal. Oppenheim derivatives business acquisition and in India following receipt of licence to deliver products to clients</li> <li>European platform continues to build market share</li> <li>Leverage existing client base to build out global institutional derivatives and equity finance offering focussed on our Asia-Pacific capabilities</li> </ul>

## Outlook

- FY07-FY11 net profit contribution historical range: \$A0.2b - \$A1.2b; average \$A0.6b
- Subject to market conditions improving, expect FY12 net profit contribution to be up on FY11
- Cash division is well positioned for growth as market conditions improve and turnover and volume increase both in secondary and equity capital markets
- Conditions for Derivatives DeltaOne likely to remain challenging as retail investor demand continues to be subdued



# Macquarie Capital

Operating income of \$A1,001m, up 46% on prior year

Net profit contribution of \$A281m, up from \$A56m loss on prior year

547 transactions valued at \$A159b<sup>1</sup> (448 transactions valued at \$A121b prior year)

Australia and NZ	Asia
<p><b>83 deals valued at \$A93b in FY11, up 54%<sup>2</sup> on prior year</b>  <b>50 deals valued at \$A47b in 2H11, up 3%<sup>2</sup> on 1H11</b></p>	<p><b>81 deals valued at \$A21b in FY11, up 41%<sup>2</sup> on prior year</b>  <b>50 deals valued at \$A9b in 2H11, down 18%<sup>2</sup> on 1H11</b></p>
<p><b>Activity</b></p> <ul style="list-style-type: none"> <li>Financial adviser to Origin Energy Ltd on the acquisition of Integral Energy and Country Energy retail businesses from the NSW State-owned energy network businesses and its binding GenTrader arrangements with Eraring Energy</li> <li>Financial adviser to AXA Asia-Pacific Holdings in relation to the acquisition of its Asian business by AXA SA and its Australian and NZ businesses by AMP, the largest financial services transaction in Australian corporate history based on equity value at completion</li> <li>Financial adviser to a consortium on the acquisition of the 99-year lease of Port of Brisbane</li> <li>Joint financial adviser to The Griffin Coal Mining Company Pty Ltd on the largest Indian inbound investment into the Australian resources sector</li> <li>Financial adviser, debt arranger and equity bridge provider to Southern Cross Media Group Ltd for the takeover offer for Austereo Group Ltd</li> <li>3 awards for the Newcrest Mining acquisition of Lihir Gold<sup>3</sup></li> <li>4 awards for Carlyle and TPG's financing for Healthscope<sup>3</sup></li> <li>Maintained leading position in Australia and NZ M&amp;A and ECM <ul style="list-style-type: none"> <li>Ranked No.2 for completed M&amp;A deals<sup>4</sup></li> <li>Rated Most Capable ECM Specialist in Australia<sup>5</sup></li> </ul> </li> </ul> <p><b>Platform Growth</b></p> <ul style="list-style-type: none"> <li>Extended DCM capability <ul style="list-style-type: none"> <li>Joint lead manager on the \$A550m five-year Australian bond financing for the Dampier-to-Bunbury pipeline in Western Australia</li> <li>Sole structurer and lead manager for \$A100m unsecured notes issue for ALE Property Group</li> </ul> </li> </ul>	<p><b>Activity</b></p> <ul style="list-style-type: none"> <li>Joint sponsor, joint bookrunner and joint lead manager on the H-share listing of the Agricultural Bank of China, the world's largest IPO</li> <li>Exclusive financial adviser for the \$US1.5b financing of Sosa-Wonsi Double-Track Rail project in Korea, awarded Asia-Pacific Transportation Deal of 2010<sup>6</sup></li> <li>Joint bookrunner and underwriter for the \$US1.2b rights issue of PT Bank Negara Indonesia, the largest FIG ECM deal in South-East Asia in 2010</li> <li>Sole sponsor, sole global coordinator and joint bookrunner on Top Spring International Holdings Limited's \$US200m IPO in HK</li> <li>5 awards for the Agricultural Bank of China IPO<sup>3</sup></li> <li>4 awards for Kazanah Nasional's takeover of Parkway Holdings<sup>3</sup></li> <li>Managed the 3 largest HK share sales by Chinese companies in the last 3 years. Ranked No.2 for HK IPOs by deal value 2008-2010<sup>4</sup></li> </ul> <p><b>Platform Growth</b></p> <ul style="list-style-type: none"> <li>Continue to develop distinctive Asian capital markets business <ul style="list-style-type: none"> <li>Participated in largest ever IPO (Agricultural Bank of China)</li> <li>Launched first high yield bond offering, for Powerlong Real Estate Holdings in HK</li> <li>Completed first ECM transaction in Japan, for IIF, a REIT</li> </ul> </li> <li>Expanded footprint in Vietnam and Pakistan through strategic cooperation agreements with leading local securities companies, bringing coverage across the region to 13 countries (ex Australia and NZ)</li> </ul>

In FY11, Macquarie Capital Funds was transferred out of Macquarie Capital to Macquarie Funds and was renamed Macquarie Infrastructure and Real Assets. Comparative figures have been restated for group restructures undertaken during the year.

1. Total Includes cross-border transactions: Asia (22 transactions), US (14), ANZ (12), Canada (8) and Europe (8). Some cross-border transactions involve three or more regions. 2. Movement by deal value. 3. Various sources, including Asiamoney, The Asset, Finance Asia, Insto, Infrastructure Partnerships Australia, IFR Asia, CFO Magazine, Asiamoney, Alpha 4. Thomson Reuters. 5. Peter Lee & Associates, 2010 6. Project Finance Magazine





# Macquarie Capital

Operating income of \$A1,001m, up 46% on prior year

Net profit contribution of \$A281m, up from \$A56m loss on prior year

547 transactions valued at \$A159b<sup>1</sup> (448 transactions valued at \$A121b prior year)

EMEA	Americas
<p><b>57 deals valued at \$A17b in FY11, up 7%<sup>2</sup> on prior year</b>  <b>30 deals valued at \$A9b in 2H11, up 21%<sup>2</sup> on 1H11</b></p> <p><b>Activity</b></p> <ul style="list-style-type: none"> <li>Exclusive financial adviser and sole bookrunner to the Government of the Republic of Ghana for a \$US0.2b sell down in AngloGold Ashanti Limited ordinary shares by way of an accelerated bookbuild</li> <li>Financial adviser on the acquisition of Ceske Radiokomunikace, one of the largest telecommunications transactions in Central and Eastern Europe in 2010</li> <li>Financial adviser to Macquarie-managed funds on the acquisition of Thyssengas, transporter of 10 billion cubic metres of natural gas annually, from RWE</li> <li>Extending capital markets and debt platforms <ul style="list-style-type: none"> <li>Completed 15 ECM transactions raising in excess of \$US1.0b as bookrunner</li> <li>First European DCM Joint Lead Manager role with a £170m high yield bond issuance, for Moto Hospitality</li> </ul> </li> </ul> <p><b>Platform Growth</b></p> <ul style="list-style-type: none"> <li>Opened office in Spain</li> <li>Conducted first advisory transaction from Moscow office</li> <li>Extended European third party advisory platform for the Infrastructure, Utilities and Renewables business</li> </ul>	<p><b>326 deals valued at \$A28b in FY11, down 7%<sup>2</sup> on prior year</b>  <b>186 deals valued at \$A14b in 2H11, in line<sup>2</sup> with 1H11</b></p> <p><b>Activity</b></p> <ul style="list-style-type: none"> <li>Financial advisor to the sponsors on the \$US2.8b Interstate Highway 635 Managed Lanes Project, awarded North American PPP Transaction of the Year<sup>3</sup></li> <li>Developer, underwriter and financial adviser on the \$US2.1b Denver Fastracks Eagle P3 project, awarded North American Transport Deal of the Year<sup>4</sup></li> <li>Joint bookrunner and documentation agent, raising \$US1.8b of credit for General Growth Properties. For the same client, co-manager on the largest-ever REIT follow-on offering for \$US2.3b</li> <li>In US, increased product offering from M&amp;A to include ECM and DCM: <ul style="list-style-type: none"> <li>Bookrunner on 15 DCM deals and 9 ECM deals, including first transaction as sole bookrunner</li> <li>Completed first bookrun IPO in the US, for MedQuist Holdings</li> </ul> </li> <li>In Canada, established a DCM presence: <ul style="list-style-type: none"> <li>15 transactions, 1 as lead manager</li> </ul> </li> </ul> <p><b>Platform Growth</b></p> <ul style="list-style-type: none"> <li>Acquired Presidio Partners LLC, a US-based specialist real estate private capital raising and advisory business with a strong track record in US, Europe, and key emerging markets</li> <li>Announced acquisition of REGAL Capital Advisors, LLC, a Los Angeles-based boutique firm that provides strategic and financial advice to companies in the Gaming, Lodging and Leisure sectors. Expected to close by Jun 11<sup>5</sup></li> </ul>

Outlook
<ul style="list-style-type: none"> <li>FY07-FY11 net profit contribution historical range: \$A(0.1)b - \$A1.6b; average \$A0.7b</li> <li>Subject to market conditions improving, expect FY12 net profit contribution to be up on FY11</li> <li>Results next period will be impacted by movement of Macquarie AirFinance business to the Corporate and Asset Finance Group</li> </ul>

In FY11, Macquarie Capital Funds was transferred out of Macquarie Capital to Macquarie Funds and was renamed Macquarie Infrastructure and Real Assets. Comparative figures have been restated for group restructures undertaken during the year.

1. Total Includes cross-border transactions: Asia (22 transactions), US (14), ANZ (12), Canada (8) and Europe (8). Some cross-border transactions involve three or more regions. 2. Movement by deal value. 3. Infrastructure Investor, 2010. 4. Project Finance Magazine. 5. Subject to FINRA approval



# Macquarie Funds

Operating income of \$A1,410m, down 2% on prior year  
 Net profit contribution of \$A602m, down 26% on prior year<sup>1</sup>

Operating income before gains from listed fund initiatives \$A1,301m, up 51% on prior year<sup>2</sup>

Macquarie Infrastructure and Real Assets	Macquarie Investment Management	Macquarie Specialised Investment Solutions
<p><b>Activity</b></p> <ul style="list-style-type: none"> <li>▪ Raised over \$A2.0b in new equity commitments in FY11</li> <li>▪ 22 investments made by its listed and unlisted funds, representing over \$A3.5b in equity investment</li> <li>▪ \$A4.5b in equity available for investment through its listed and unlisted funds as at 31 Mar 11</li> <li>▪ New products developed include a Chinese real estate fund and a Korean private equity fund specialising in infrastructure, fund raising commenced for its fourth European infrastructure fund and Chinese infrastructure fund</li> <li>▪ Named Infrastructure Manager of the Year<sup>3</sup></li> <li>▪ New investor engagement model is resonating well</li> </ul> <p><b>Platform Growth</b></p> <ul style="list-style-type: none"> <li>▪ Continued to build out Asian unlisted funds platform</li> </ul>	<p><b>Activity</b></p> <ul style="list-style-type: none"> <li>▪ Delaware Investments continued to perform well post acquisition, with strong net inflows and capital appreciation of ~\$US15b in FY11</li> <li>▪ Ranked No.1 based on number of Australian institutional mandates awarded<sup>4</sup></li> <li>▪ Recognised for delivering consistently strong risk-adjusted returns, with numerous 2011 Lipper Fund Awards<sup>5</sup></li> <li>▪ Launched Global Income Opportunities strategy, which utilises Macquarie and Delaware Investments' heritage fixed income capabilities</li> <li>▪ Macquarie's Asian Alpha hedge fund strategy passed \$A1.0b in AUM post 31 Mar 11</li> </ul> <p><b>Platform Growth</b></p> <ul style="list-style-type: none"> <li>▪ Acquired INNOVEST Kapitalanlage AG, a leading Austrian securities asset manager, enhancing its presence in Europe</li> </ul>	<p><b>Activity</b></p> <ul style="list-style-type: none"> <li>▪ Increased inflows into Australian retail structured products, with over \$A300m raised in FY11</li> <li>▪ Successfully expanded wholesale business, writing over \$A1.0b in fund linked products during FY11</li> <li>▪ Launched first residential real estate product during the period</li> </ul> <p><b>Platform Growth</b></p> <ul style="list-style-type: none"> <li>▪ Successfully expanded wholesale business, particularly in the US and Europe</li> </ul>

Outlook
<ul style="list-style-type: none"> <li>▪ FY07-FY11 net profit contribution historical range: \$A0.3b - \$A1.1b; average \$A0.7b</li> <li>▪ Subject to market conditions, expect FY12 net profit contribution to be broadly in line with FY11</li> <li>▪ Focus on:             <ul style="list-style-type: none"> <li>– Organic growth of asset base, diverse range of products and strong relative investment performance expected to drive continued AUM inflows</li> <li>– Leveraging existing operating support systems expected to drive cost synergies</li> </ul> </li> <li>▪ Outlook for future acquisitions uncertain given increasing competition for quality platforms</li> </ul>

In FY11, Macquarie Capital Funds was transferred out of Macquarie Capital to Macquarie Funds and was renamed Macquarie Infrastructure and Real Assets. Comparative figures have been restated for group restructures undertaken during the year.

1. Note the prior year included significant gains from listed fund initiatives, which were not repeated in the current year. 2. Refer to slide 39 for detailed breakdown. 3. 2010 Annual Financial News' Awards (European Institutional Asset Management).

4. Among individual managers. Rainmaker, for the year to 31 Dec 10. 5. Including 4 group awards (for Delaware Investments and INNOVEST Kapitalanlage AG) and 14 fund awards



# Fixed Income, Currencies and Commodities

Operating income of \$A1,416m, down 2% on prior year

Net profit contribution of \$A575m, down 30% on prior year

Metals	Asian Markets	Agriculture	Energy	Fixed Income and Foreign Exchange	US and European Credit
<p><b>Activity</b></p> <ul style="list-style-type: none"> <li>Project financing and increased equity realisations as a result of continuing strength in resource equity markets</li> <li>Addition of a physical base metals team based in London</li> <li>Commenced trading physical and financial iron ore</li> </ul>	<p><b>Activity</b></p> <ul style="list-style-type: none"> <li>Established credit, rates and currencies division with offices in Singapore, HK and South Korea</li> <li>Extension of Macquarie Bank Limited Seoul Branch to include an OTC derivatives licence</li> <li>Expanding specialist corporate debt and macroeconomic strategy services</li> </ul>	<p><b>Activity</b></p> <ul style="list-style-type: none"> <li>Client activity higher on rally in agricultural commodity prices and volatility over the period</li> <li>Continued to build agricultural and soft commodity sales and analytics presence globally</li> </ul>	<p><b>Activity</b></p> <ul style="list-style-type: none"> <li>Maintained ranking as No.4 US physical gas marketer in North America<sup>1</sup></li> <li>Depressed natural gas prices limited trading opportunities</li> <li>Addition of physical oil trading teams to include a Latin American team based in Houston and teams in Calgary and London</li> </ul>	<p><b>Activity</b></p> <ul style="list-style-type: none"> <li>Volumes down 21% on prior year. 2H11 down 18% on strong 1H11</li> <li>Awarded Best Domestic FX Providers – Australia, 2nd place Best For Innovative FX Products and Structured Ideas, 3rd place Best FX Prime Broking Services<sup>2</sup></li> <li>First and subsequent public securitisation of Australian auto-leasing collateral into the US</li> </ul>	<p><b>Activity</b></p> <ul style="list-style-type: none"> <li>Continued build out of US credit business despite lower client activity levels</li> <li>Growing presence in Europe via an expanded presence in London</li> </ul>

## Platform Growth

- Development of FICC's regional hub in Singapore comprising Asian Markets, Fixed Income and Currencies, Agricultural Commodities and Energy Markets businesses
- Application for Singapore bank branch licence approved in March, anticipated "go live" in 1H12
- Continued transformation from Sydney-based, 24-hour currency service provider to a global business with hubs in Sydney, New York, London and Singapore
- Building experience in coal and other bulk commodities including physical and financial iron ore
- Expanded global oil offering by growing physical oil trading capabilities and also physical base metals trading business
- In the US, addition of a commercial mortgage finance and CMBS team in New York and obtained ICE US membership allowing direct interface for futures clearing
- Expansion of the Macquarie platform to include market coverage across FICC-related structured derivative products in Germany, Switzerland and Italy

## Outlook

- FY07-FY11 net profit contribution historical range: \$A0.5b - \$A0.8b; average \$A0.6b
- Subject to market conditions, expect FY12 net profit contribution to be up on FY11
- Focus on capitalising on platform investments made in FY11 and the breadth of the Macquarie platform
- Growing investor-facing businesses
- Modest headcount growth

1. PlattsGasDaily (Dec 10). 2. AsiaMoney Corporate FX Poll 2010



# Corporate and Asset Finance

Operating income of \$A786m, up 69% on prior year

Net profit contribution of \$A501m, up 96% on prior year

## Activity

- Asset and loan portfolio of \$A17.3b at FY11, up 22% on prior year and 2H11 up 9% on 1H11
- Motor vehicle leasing portfolio of \$A5.9b at FY11, up 19% on prior year. Total contracts now in excess of 240,000 at 31 Mar 11
  - Completed acquisition of \$A1.0b portfolio of Australian motor vehicle leases and loans from GMAC in Apr 10
  - Ford and GMAC acquired portfolios performed solidly
- Completed the acquisition of \$US1.6b aircraft operating lease portfolio from International Lease Finance Corporation (ILFC) agreed in Apr 10
- Macquarie Leasing's new business in excess of \$A2.6b at FY11, up 37% on prior year
- Securitisation activity strong with \$A1.2b of issuance of motor vehicle leases and loans securitisations in FY11, including two issuances in the US
- Completed first capital markets securitisation of IT&T equipment lease receivables, with a total of \$US0.3b of securities issued in Mar 11
- Extended IT&T leasing capacity into Malaysia, HK, Singapore and India

## Platform Growth

- Continued to access global securitisation markets
  - Approx. \$A10.5b of external funding over the past four years
- Continued growth of Smart Metering portfolio in the UK
- Continual expansion of global vendor relationships
- Ongoing pursuit of corporate acquisitions to enter new markets or enhance existing businesses

## Outlook

- FY07-FY11 net profit contribution historical range<sup>1</sup>: \$A0.1b - \$A0.5b; average \$A0.2b
- Subject to market conditions, expect FY12 net profit contribution to be up on FY11
- Continued growth in lease / loan portfolio under management
- Continue to seek opportunities for growth through acquisitions
- Growing leasing pipeline in some businesses
- Further opportunities to deploy balance sheet in the Australian market

1. Range excludes FY09 provisions for loan losses of \$A135m related to Real Estate Structured Finance loans as this is a restructured business



# Banking and Financial Services

Operating income of \$A1,494m, up 19% on prior year

Net profit contribution of \$A275m, up 5% on prior year

## Global client numbers 1.04 million, up 40,000 on prior year

Private Wealth/Direct	Intermediary	Funds Management	Deposits
<p><b>Activity</b></p> <ul style="list-style-type: none"> <li>Macquarie Private Wealth (MPW) remains No.1 ranked full-service retail stockbroker in Australia in terms of volume and market share<sup>1</sup></li> <li>MPW ASX retail turnover down 5% on prior year</li> <li>Partial sell down of OzForex from 51% to 19.9%</li> <li>Australian/NZ private wealth and direct client numbers 359,000, up 2% on prior year</li> <li>Ranked No.1 National Independent Canadian Advisory Firm and ranked No.3 of all investment advisory firms in Canada<sup>2</sup></li> </ul> <p><b>Platform Growth</b></p> <ul style="list-style-type: none"> <li>Continued focus on retail client growth in the advised and non-advised sector while seeking organic growth of high net worth adviser numbers</li> </ul>	<p><b>Activity</b></p> <ul style="list-style-type: none"> <li>Total funds under management, advice or administration \$A121.7b up 1% on prior year</li> <li>Macquarie Wrap funds under administration at \$A22.7b up 1% on prior year</li> <li>Macquarie Life Inforce risk premiums up 59% on prior year</li> <li>Agreement with Teachers Health Fund for the exclusive distribution and marketing of life insurance products to the Health Fund's 200,000 members</li> <li>Macquarie Mortgages relaunched loan origination in Australia to new clients</li> <li>Intermediary client numbers 599,618, up 1% on prior year</li> </ul> <p><b>Platform Growth</b></p> <ul style="list-style-type: none"> <li>Actively grow base annuity products including mortgages, insurance, wrap and banking products</li> </ul>	<p><b>Activity</b></p> <ul style="list-style-type: none"> <li>Funds in the Macquarie Professional Series of \$A3.7b up 28% on prior year</li> <li>Macquarie Pastoral Fund acquired additional six properties in FY11 bringing total holdings to 3.15m hectares</li> <li>Macquarie Professional Series named S&amp;P Fund Manager of the Year for Global Equities Developed Markets for the fourth consecutive year<sup>3</sup></li> <li>Macquarie Professional Series named S&amp;P Fund Distributor of the Year for the second consecutive year<sup>3</sup></li> </ul> <p><b>Platform Growth</b></p> <ul style="list-style-type: none"> <li>Continue to explore investment opportunities in other real assets for investors</li> </ul>	<p><b>Activity</b></p> <ul style="list-style-type: none"> <li>Total retail deposits of \$A26.6b up 72% on prior year due to CMT conversion to CMA</li> <li>CMA balance of \$A14.6b at Mar 11</li> </ul> <p><b>Platform Growth</b></p> <ul style="list-style-type: none"> <li>Continue to focus on providing a broad range of cash solutions in the medium term</li> </ul>

### Outlook

- FY07-FY11 net profit contribution historical range<sup>4</sup>: \$A0.2b - \$A0.3b; average \$A0.3b
- Subject to market conditions, expect FY12 net profit contribution to be broadly in line with FY11

1. IRESS: consideration traded and volume 31 Mar 11. 2. Investment Executive Brokerage Report Card 2011. 3. Standard and Poor's Fund Manager of the Year awards. 4. Range excludes FY09 loss on sale of Italian mortgages of \$A249m as this is a discontinued business



# Further Information

*FY11 Result Analysis*

## Macquarie Group Limited

**Merrill Lynch 26<sup>th</sup> Australian Investment Conference**

7 September 2011

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# Income Statement key drivers

	2H11 \$Am	1H11 \$Am	Mar 11 \$Am	Mar 10 \$Am
Net interest income	670	605	1,275	1,080
Fee and commission income	1,896	1,995	3,891	3,721
Trading income	759	600	1,359	1,574
Other income	675	405	1,080	651
<b>Operating income before writedowns, impairments, equity accounted gains/(losses) and one off items</b>	<b>4,000</b>	<b>3,605</b>	<b>7,605</b>	<b>7,026</b>
Writedowns, impairments, equity accounted gains/(losses) and one off items	(17)	56	39	(388)
<b>Total operating income (as reported)</b>	<b>3,983</b>	<b>3,661</b>	<b>7,644</b>	<b>6,638</b>
Total operating expenses	(3,208)	(3,165)	(6,373)	(5,344)
<b>Net profit before tax and minorities</b>	<b>775</b>	<b>496</b>	<b>1,271</b>	<b>1,294</b>
Income tax expense	(197)	(85)	(282)	(201)
Non-controlling interests	(25)	(8)	(33)	(43)
<b>Net profit after tax</b>	<b>553</b>	<b>403</b>	<b>956</b>	<b>1,050</b>

- Net interest income up 18% on prior year to \$A1,275m
  - Growth in lending and leasing volumes, including acquisition of \$A1.0b GMAC portfolio in Apr 10 and the full year impact of the acquisition of the Ford Credit portfolio in Oct 09
  - Improved margins
- Fee and commission income up 5% on prior year to \$A3,891m
  - Base fees up 3% on prior year driven by full year impact of Delaware Investments, partially offset by CMT/CMA transfer
  - Brokerage and commissions up 6% on prior year driven by acquisition of MPW Canada
  - ECM activity down
- Trading income down 14% on prior year to \$A1,359m
  - Challenging market conditions impacted equities and commodities related trading income, particularly in the first half
- Other income up 66% on prior year to \$A1,080m
  - Increased income from the sale of investments in resource markets, particularly in the gold sector
  - Increased dividend/distribution income
- Significantly lower impact of writedowns, impairments, equity accounted gains/(losses) and one off items (FY11 profit of \$A39m; FY10 loss of \$A388m)
- Operating expenses up 19% on prior year to \$A6,373m
  - Average staff numbers up 17% driven by full year effect of the expanded global platform
- Higher tax expense - effective tax rate of 23%, up from 16% in prior year due to reduced impairment charges and writedowns



# Gains/(losses) from writedowns, impairments, equity accounting and one-off items

	2H11 \$Am	1H11 \$Am	Mar 11 \$Am	Mar 10 \$Am
Gains from listed fund initiatives <sup>1</sup>	14	95	109	539
Equity investment impairments	(77)	(53)	(130)	(470)
Equity accounted gains/(losses) <sup>1</sup>	94	85	179	(148)
Loan and trading asset impairments	(51)	(77)	(128)	(236)
Net fair value adjustment on fixed rate issued debt	3	6	9	(255)
Liability management				
— MIPS	-	-	-	127
— Subordinated debt	-	-	-	55
<b>Gains/(losses) from writedowns, impairments, equity accounting and one-off items</b>	<b>(17)</b>	<b>56</b>	<b>39</b>	<b>(388)</b>

- Gains from listed fund initiatives – 1H11 fair value adjustment of investment in MAp Group on reclassification from associate to available for sale (\$A95m), 2H11 gain from sale of management rights of Macquarie Power and Infrastructure Corporation (\$A14m)

1. Gains from listed fund initiatives in FY10 is net of \$A62m equity accounted losses on MAp internalisation, \$A10m equity accounted losses on MIG internalisation and \$A10m equity accounted losses on MMG internalisation. These amounts are not included within equity accounted gains/(losses)





# Macquarie Securities

## Result

	Mar 11 \$Am	Mar 10 \$Am
Net trading income (including net interest income) <sup>1</sup>	366	479
Brokerage and commissions	715	714
Other fee and commission income	212	263
Internal management revenue and other income <sup>2</sup>	4	24
<b>Operating income before writedowns, impairments and equity accounted gains/(losses)</b>	<b>1,297</b>	<b>1,480</b>
Writedowns, impairment charges	1	(2)
Share of net gains/(losses) of associates	1	2
<b>Total operating income (as reported)</b>	<b>1,299</b>	<b>1,480</b>
Total operating expenses	(1,124)	(900)
<b>Net profit contribution<sup>3</sup></b>	<b>175</b>	<b>580</b>
Staff numbers	1,768	1,673

- Net trading income down 24% on FY10:
  - Challenging market conditions
  - Retail and institutional product revenues down on prior year across all regions with exception of Europe which benefitted from the acquisition of Sal. Oppenheim in Apr 10
  - Market share maintained in core Asian markets
  - Arbitrage trading activities continued to make strong contribution although lower volatility and liquidity impacted trading conditions, particularly in 1H11
  - 2H11 showed signs of improvement over 1H11
- Brokerage and commission income in line with FY10:
  - Continued growth in US and Europe driven by acquisitions, Fox-Pitt Kelton Group in Nov 09 and Sal. Oppenheim in Apr 10
  - Reduced client activity in Asia and Australia
  - Business is maintaining or improving rankings with clients
- Other fee and commission income down 19% on FY10
  - ECM activity in Australia and Europe down on prior year, increased activity in America and Asia
- Operating expenses up 25% on FY10 driven by full year impact of the expanded global platform which includes Fox-Pitt Kelton Group (Nov 09) and Sal. Oppenheim (Apr 10)

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L. 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 3. Management accounting profit before unallocated corporate costs, profit share and income tax



# Macquarie Capital Result

	Mar 11 \$Am	Mar 10 \$Am
Net interest expense <sup>1</sup>	(151)	(113)
Fee and commission income	796	837
Equity investment income	65	111
Operating lease income	92	66
Other income	164	173
Internal management revenue <sup>2</sup>	29	30
<b>Operating income before writedowns, impairments, equity accounted gains/(losses) and one-off items</b>	<b>995</b>	<b>1,104</b>
Writedowns, impairment charges	(41)	(397)
Share of net gains/(losses) of associates	47	(22)
<b>Total operating income (as reported)</b>	<b>1,001</b>	<b>685</b>
Total operating expenses	(711)	(728)
Non-controlling interests	(9)	(13)
<b>Net profit contribution<sup>3</sup></b>	<b>281</b>	<b>(56)</b>
Staff numbers	1,397	1,632

- Net interest expense up 34% on prior year resulting from higher interest rates
- Advisory and capital markets activity: 547 deals valued at approx. \$A159b (448 deals valued at approx. \$A121b in prior year)
  - ECM activity down in Australia and Europe, up in Asia
- Equity investment income down 41% in line with reduction in asset sales, FY11 includes Ambow
- Writedowns and impairment charges significantly down
- Improved underlying performance of associates and JVs
- Expenses broadly in line with prior year

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L. 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 3. Management accounting profit before unallocated corporate costs, profit share and income tax



# Macquarie Funds Result

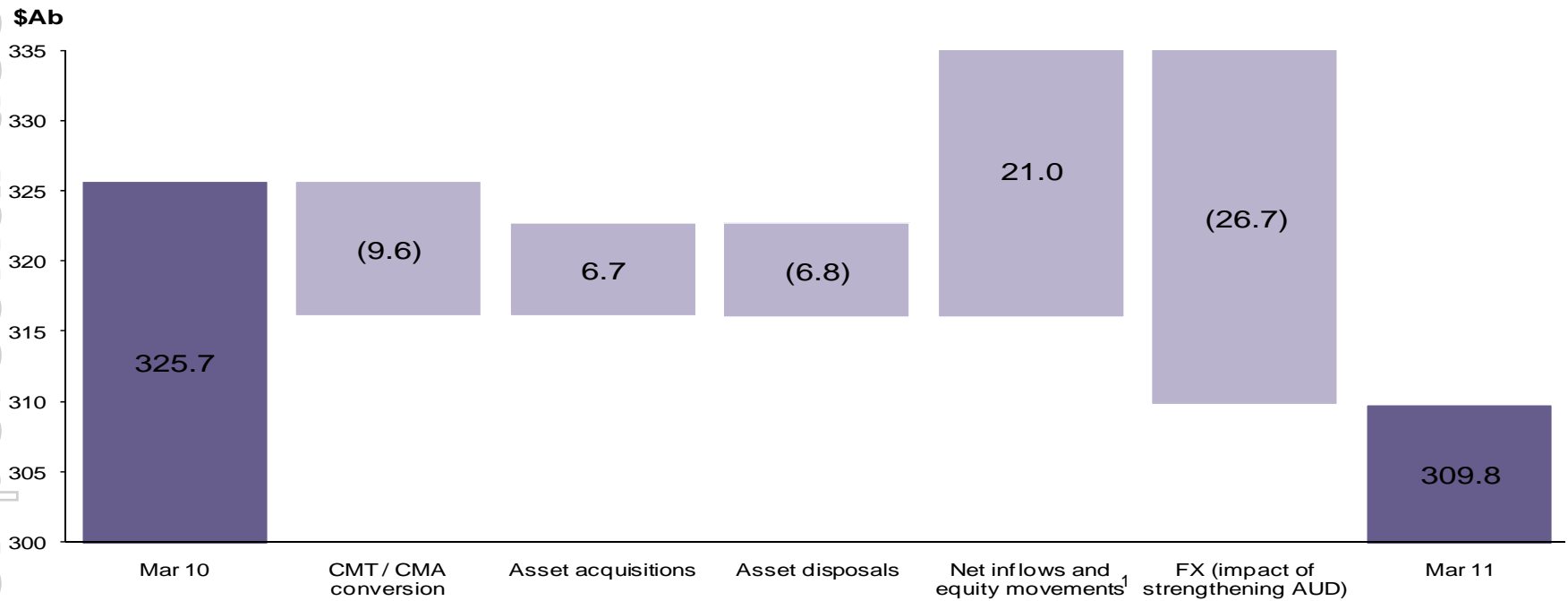
	Mar 11 \$Am	Mar 10 \$Am
Base fees	873	697
Other fee and commission income	280	214
Equity investment and other income	149	59
Net interest expense <sup>1</sup>	(120)	(103)
Internal management revenue <sup>2</sup>	43	61
<b>Operating income before writedowns, impairments and equity accounted gains/(losses)</b>	<b>1,225</b>	<b>928</b>
Gains from listed fund initiatives	109	572
Writedowns, impairment charges	(36)	23
Share of net gains/(losses) of associates	112	(87)
<b>Total operating income (as reported)</b>	<b>1,410</b>	<b>1,436</b>
Total operating expenses	(818)	(624)
Non-controlling interests	10	1
<b>Net profit contribution<sup>3</sup></b>	<b>602</b>	<b>813</b>
AUM (\$Ab)	305.1	311.0
Staff numbers	1,457	1,610

- Base fees up 25% on prior year to \$A873m
  - Benefitting from full year effect of Delaware Investments which increased AUM by \$A151b in Jan 10
  - Partially offset by decreases due to listed fund initiatives and the strengthening of the AUD
- Other fee and commission income up 31% on prior year mainly due to distribution service fees in the Delaware Investments business which are offset with associated expenses in brokerage and commissions expense
- Equity investment and other income up significantly on prior year due to distribution income from MAp Group
- Net interest expense up 17% on prior year mainly due to funding costs of Delaware Investments acquisition and higher interest rates on other MFG holdings
- Gains from listed fund initiatives in FY11 relate to reclassification of investment in MAp Group to available for sale and sale of Macquarie Power and Infrastructure Corporation management rights
- Share of net gains/(losses) of associates up significantly on prior year due to improved economic and operating conditions for fund investments
- Operating expenses up 31% on prior year mainly due to the full year impact of Delaware Investments

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L. 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 3. Management accounting profit before unallocated corporate costs, profit share and income tax



# Assets under management of \$A310b



1. Includes the impact of net inflows/outflows and movements in AUM driven by changes in listed equity prices



# Fixed Income, Currencies and Commodities

## Result

	Mar 11 \$Am	Mar 10 \$Am
Commodities <sup>1</sup>	618	671
Foreign exchange products <sup>1</sup>	38	93
Interest rate products <sup>1</sup>	286	372
Fair value adjustments relating to leasing contracts	(17)	42
Fee and commission income	171	155
Other income	246	93
Internal management revenue <sup>2</sup>	55	80
<b>Operating income before writedowns, impairments and equity accounted gains/(losses)</b>	<b>1,397</b>	<b>1,506</b>
Writedowns, impairment charges	4	(76)
Share of net gains/(losses) of associates	15	11
<b>Total operating income (as reported)</b>	<b>1,416</b>	<b>1,441</b>
Total operating expenses	(841)	(614)
<b>Net profit contribution<sup>3</sup></b>	<b>575</b>	<b>827</b>
Staff numbers	980	884

- Commodities trading income down 8% on prior year:
  - Challenging trading conditions during the year
  - Lower client term hedging activity in some commodities markets
- Foreign Exchange income down 59% on prior year:
  - Global currency markets subject to intermittent volatility
  - Margin compression has had a significant impact on revenues
- Interest rate products down 23% on prior year:
  - Normalisation in credit markets following the rallies in the prior period
  - Although base of offerings expanded in US and Asia, income was down reflecting lower levels of client activity
- Fee and commission income up 10% on prior year:
  - Improved brokerage revenues in futures execution and clearing markets
- Other income up significantly on prior year driven by:
  - sales of net profit interests and equity investments due to stronger resource equity markets
  - royalties from participants in the metals and energy sector
- Expenses up 37% on prior year associated with:
  - Continued build out of the credit trading business in the US and its expansion into Europe
  - Establishment of the new Asian Markets business in Singapore

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L. 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 3. Management accounting profit before unallocated corporate costs, profit share and income tax



# Corporate and Asset Finance Result

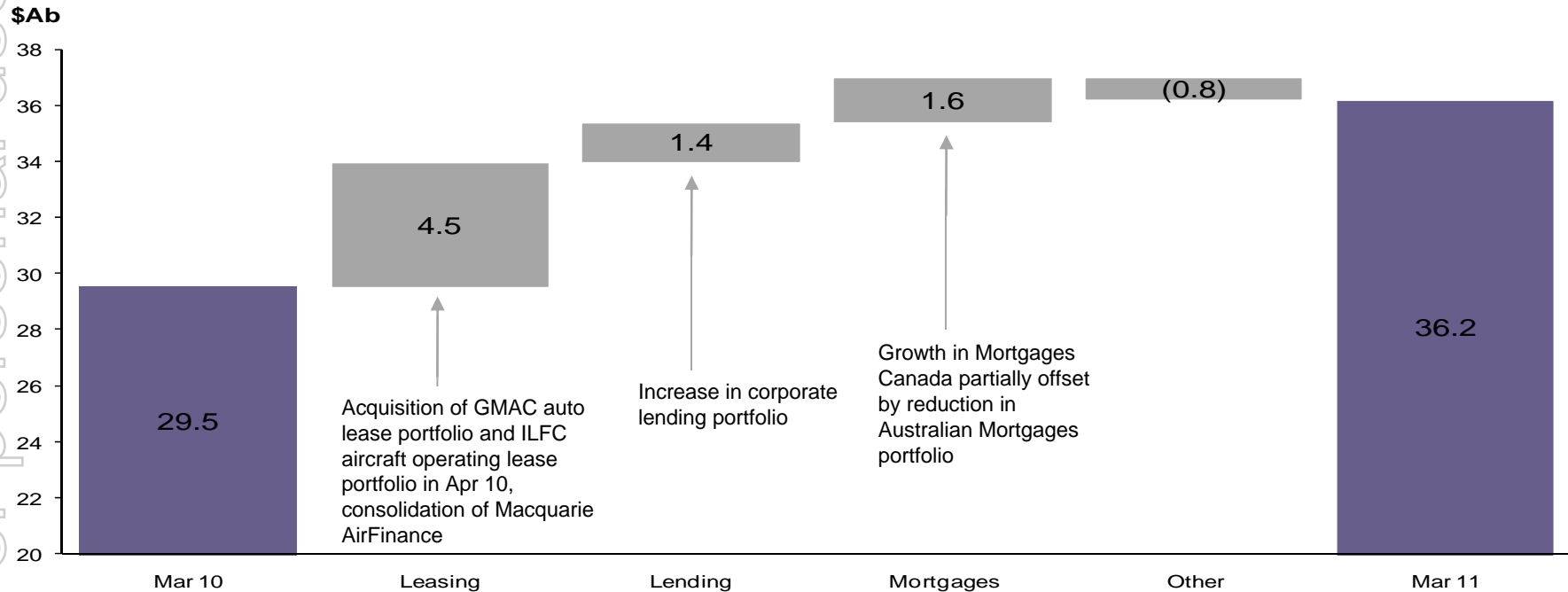
	Mar 11 \$Am	Mar 10 \$Am
Net interest income <sup>1</sup>	583	382
Fee, commission and trading income	2	49
Operating lease income	150	68
Other income	64	48
Internal management revenue <sup>2</sup>	21	32
<b>Operating income before writedowns, impairments and equity accounted gains/(losses)</b>	<b>820</b>	<b>579</b>
Writedowns, impairment charges	(43)	(109)
Share of net gains/(losses) of associates	9	(5)
<b>Total operating income (as reported)</b>	<b>786</b>	<b>465</b>
Total operating expenses	(285)	(208)
Non-controlling interests	-	(2)
<b>Net profit contribution<sup>3</sup></b>	<b>501</b>	<b>255</b>
Staff numbers	888	717

- Net interest income up significantly:
  - Loan and finance lease portfolios increased 12% on the prior year, including the acquisition of \$A1.0b GMAC portfolio in Apr 10
- Fee, commission and trading income in prior year was primarily due to mark-to-market gains on options and equity securities that were sold
- Operating lease income up significantly on prior year due to acquisition of aircraft lease portfolio from International Lease Finance Corporation
- Lower writedowns and impairment charges
  - reduced underlying loss rates in loan and lease portfolio driving reduced collective provisioning
  - reduced level of impairments of real estate assets
- Operating expenses up 37% driven by increased average headcount

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L. 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 3. Management accounting profit before unallocated corporate costs, profit share and income tax



# Growth of loan and lease asset portfolio<sup>1</sup>



1. Per funded balance sheet, including loan assets held at amortised cost, loan assets held at fair value through P&L and operating lease assets held as other assets



# Loan and lease asset portfolio quality

Loan category	Net carrying value Mar 11 \$Ab	Provisions coverage Mar 11 % <sup>1</sup>	Net carrying value Mar 10 \$Ab	Provisions coverage Mar 10 % <sup>1</sup>	Description
Mortgages					Secured by residential mortgages and supported by mortgage insurance
- Australia	2.1	1.0%	2.2	0.7%	▪ Australia: arrears <sup>2</sup> = 1.5%, most loans are fully mortgage insured
- US	0.8	2.3%	0.9	1.9%	▪ US: arrears <sup>2</sup> = 6.6%, majority of loans where LVR > 80% are mortgage insured
- Canada	8.5	-	6.7	-	▪ Canada: most loans are fully insured with underlying government support
Structured investments	3.4	0.5%	4.0	1.1%	Retail loans to invest in various investment funds. Secured by investments with value protected by capital guarantees at maturity. Underlying assets primarily include direct and indirect equities and cash
Banking	3.7	1.2%	3.6	1.1%	Secured relationship managed loan portfolio of \$A2.9b to professional and financial services firms, real estate industry clients, insurance premium funding and other small business clients. Secured largely by real estate, working capital and business cash flows and credit insurance; Other consumer lending of \$A0.8b including credit cards
Real estate	0.4	24.9%	0.6	16.7%	Loans secured against real estate, subject to regular independent valuations. Large impairment provisions
Resources and commodities	1.5	8.2%	1.7	8.7%	Diversified loan portfolio primarily to resources sector that are secured by the underlying assets. Secured by gold, base metals and oil resources and supported by price hedging
Leasing	8.2	0.5%	3.7	1.3%	Secured by underlying leased assets (motor vehicles, aircraft and specialised equipment), diversified portfolio by geography and security asset class
Lending <sup>3</sup>	6.5	0.7%	5.1	1.4%	Diversified corporate lending, subject to regular recoverability review in relation to a diverse range of corporate assets and other securities
Other lending	1.1	4.8%	1.0	3.0%	Includes: ▪ Aircraft operating lease portfolio to single counterparty with average aircraft life < 3 years, all aircraft residual values insured ▪ Amounts on deposit with financial institutions as collateral for trading positions ▪ Other secured lending, subject to regular recoverability review. Secured by diverse range of corporate assets and other securities
<b>Total loan assets<sup>4</sup></b>	<b>36.2</b>		<b>29.5</b>		

1. Coverage % based on total collective and specific provisions divided by gross loan value at 31 Mar 11 and 31 Mar 10. 2. Arrears based on 90+ days past due, foreclosures and bankruptcies, and real estate owned at 31 Mar 11 across all mortgage portfolios. 3. Excludes assets recorded as Debt Investment Securities. 4. Per the funded balance sheet, including loan assets held at amortised cost, loan assets held at fair value through P&L and operating lease assets held as other assets





# Banking and Financial Services

## Result

	Mar 11 \$Am	Mar 10 \$Am
Net interest income <sup>1</sup>	713	551
Base fees	76	199
Brokerage and commissions	260	224
Platform and other fee and commission income	365	264
Income from life insurance business and other unit holder businesses	51	40
Other income	69	13
Internal management revenue <sup>2</sup>	10	11
<b>Operating income before writedowns, impairments and equity accounted gains/(losses)</b>	<b>1,544</b>	<b>1,302</b>
Writedowns, impairment charges	(51)	(53)
Share of net gains/(losses) of associates	1	2
<b>Total operating income (as reported)</b>	<b>1,494</b>	<b>1,251</b>
Total operating expenses	(1,214)	(984)
Non-controlling interests	(5)	(6)
<b>Net profit contribution<sup>3</sup></b>	<b>275</b>	<b>261</b>
AUM (\$Ab)	3.9	14.3
FUM / FUA <sup>4</sup> (\$Ab)	121.7	120.0
Staff numbers	3,228	3,268

- Net interest income growth
  - Retail deposits up 72% from \$A15.5b at Mar 10 to \$A26.6b at Mar 11 primarily due to conversion of CMT to CMA in Jul 10
  - Australian mortgage portfolio down from \$A14.3b at Mar 10 to \$A11.6b at Mar 11
- Base fees down 62% on prior year driven by CMT conversion to CMA
- Brokerage and commissions income up 16% on prior year driven by improved equity markets globally and the contribution of MPW Canada in FY11
- Platform and other fee and commission income up 38% on prior year
  - Average Wrap platform volumes up 6% on prior year
  - Professional Series FUA increased 28%
- Other income includes \$A41m gain on partial sell-down of OzForex
- Writedowns, impairment charges include:
  - Loan impairments (\$A37m)
  - Other impairment charges (\$A14m)
- Operating expenses up 23% driven by 19% increase in average headcount

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L. 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 3. Management accounting profit before unallocated corporate costs, profit share and income tax. 4. Funds under management / advice / administration ("FUM / FUA") includes AUM, funds on BFS platforms (e.g. Wrap FUA), total loan and deposit portfolios, client CHESS holdings and funds under advice (e.g. Macquarie Private Bank)



# Real Estate Banking Result

	Mar 11 \$Am	Mar 10 \$Am
Net interest expense <sup>1</sup>	(12)	(37)
Base fees	1	30
Performance fees	6	35
Other income	55	13
Internal management revenue <sup>2</sup>	(2)	5
<b>Operating income before writedowns, impairments and equity accounted gains/(losses)</b>	<b>48</b>	<b>46</b>
Loss on listed fund initiatives	-	(33)
Writedowns, impairment charges	(51)	(86)
Share of net gains/(losses) of associates	(5)	(41)
<b>Total operating income (as reported)</b>	<b>(8)</b>	<b>(114)</b>
Total operating expenses	(34)	(34)
<b>Net profit contribution<sup>3</sup></b>	<b>(42)</b>	<b>(148)</b>
AUM (\$Ab)	0.5	0.4
Staff numbers	57	73

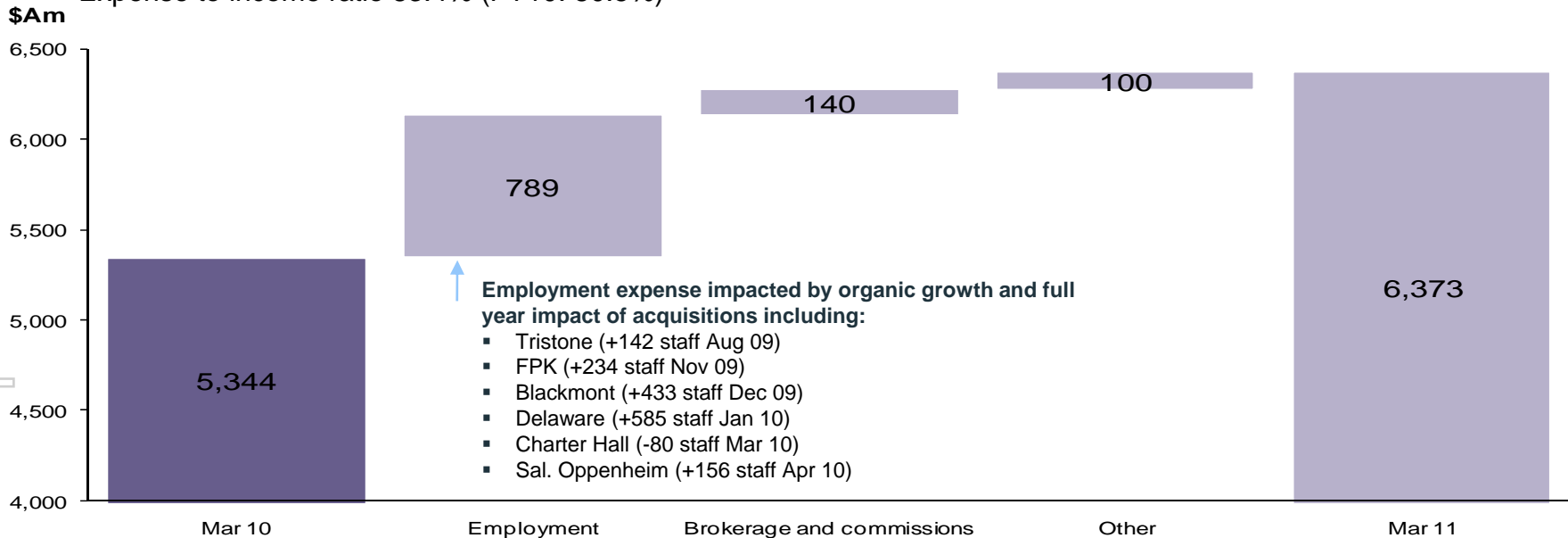
- Net interest expense down from \$A37m in Mar 10 to \$A12m in Mar 11 due to reduction in investment portfolio
- Base and performance fees down significantly on prior year
  - FY10 included fees earned on sale of Macquarie Central Office Corporate Restructuring REIT Kukdong building in Korea
- Other income increased significantly on prior year driven by gains on the sale of equity investments
- Reduced impairment charges in line with stabilised real estate market conditions

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L. 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 3. Management accounting profit before unallocated corporate costs, profit share and income tax



# Expenses

- Expenses up 19% on prior year; compensation ratio 47.3% (FY10: 42.9%)
  - Employment expenses up 25% on prior year, average headcount up 17% on prior year
- Expense to income ratio 83.4% (FY10: 80.5%)





# Taxation

	FY11 \$Am	FY10 \$Am
Net profit before tax	1,271	1,294
Add back: writedowns and impairment charges and equity accounted gains/(losses)	79	854
Net profit before writedowns, impairments, equity accounted gains/(losses) and tax	1,350	2,148
Prima facie tax @ 30%	405	644
Income tax permanent differences	(99)	(187)
<b>Income tax expense before writedowns, impairment charges and equity accounted gains/(losses)</b>	<b>306</b>	<b>457</b>
<b><i>Implied effective tax rate<sup>1</sup></i></b>	<b>23%</b>	<b>22%</b>
<b>Prima facie tax of write downs, impairment charges and equity accounted gains/(losses) @ 30%</b>	<b>(24)</b>	<b>(256)</b>
<b>Income tax expense/(benefit)</b>	<b>282</b>	<b>201</b>
<b><i>Actual effective tax rate<sup>1</sup></i></b>	<b>23%</b>	<b>16%</b>

1. The effective tax rate is calculated on net profit before tax and after non-controlling interests. Non-controlling interests reduce net profit before tax by \$A33m in FY11 and \$A43m in FY10



# Equity investments of \$A5.2b

Category	Carrying value Mar 11 \$Am	Carrying value Mar 10 \$Am	Description
Debt investment entities	148	225	Largely relates to holding in Diversified CMBS Investments Inc. Underlying investments are commercial mortgage-backed securities that are highly rated
Energy and resources	509	289	Over 100 separate investments
Finance, investment, funds management and exchanges	609	748	Significant investments include Macquarie AirFinance, MGPA and Charter Hall Limited. Investments in exchange seats including ASX, Korea, Tokyo, Chicago
Real estate	479	547	Represents property and JV investments/loans. Includes investments in Spirit Finance, Medallist, Goodman Group and Charter Hall Retail REIT
Telcos, internet, media and entertainment	369	271	Includes investments in Macquarie Zhaophon Holdings and Southern Cross Media Group Limited
Transport, industrial and infrastructure	1,803	2,242	Includes investments in Miclyn Express Offshore, BrisConnections and MAp Group
Macquarie Funds (MIRA) managed funds	880	787	Diversified Utility and Energy Trust, Macquarie Atlas Roads, Macquarie Infrastructure Company, Macquarie International Infrastructure Fund, Macquarie Korea Infrastructure Fund, MAIP, MIP funds and Macquarie European Infrastructure Funds
Other Macquarie managed funds	361	388	Includes investments that hedge DPS plan liabilities
Held for sale	79	118	Investments classified as HFS when it's highly probable that the asset will be sold in the subsequent 12 months
	<b>5,237</b>	<b>5,615</b>	



# Further Information

*FY11 Funding*

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# Strong funding and balance sheet position

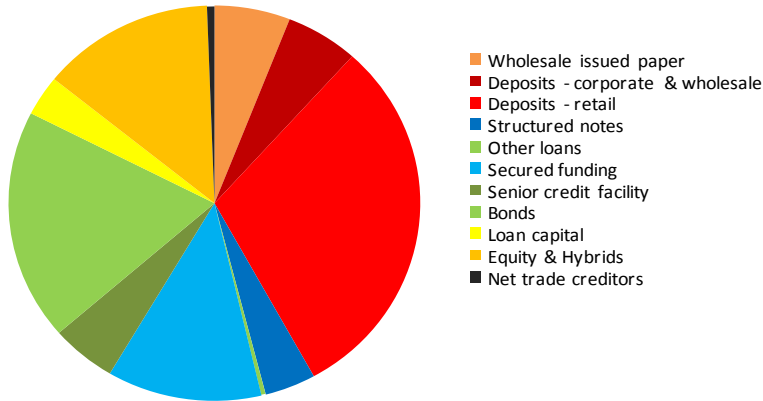
- Diverse and stable funding base, minimal reliance on short term wholesale funding markets
- Total deposits increased to \$A31.6b at Mar 11 from \$A19.6b at Mar 10
  - Retail deposits increased to \$26.6b at Mar 11 from \$A15.5b at Mar 10, primarily driven by \$A9.6b of CMT funds transferred to Macquarie's CMA in Jul 10
- \$A9.7b<sup>1</sup> of new term funding raised since Mar 10
- Capital of \$A12.1b, \$A3.0b in excess of the Group's minimum regulatory capital requirement
  - MBL Banking Group tier 1 capital ratio 10.7% (11.5% Mar 10)
- Macquarie continues to monitor regulatory developments, including the Basel III capital and liquidity framework implementation by APRA
  - Our current assessment is that Macquarie has sufficient capital to meet the Basel III capital requirements and the leverage ratio requirements

1. Includes \$A1b MBL subordinated debt issuance and \$A0.7b term secured finance in Apr 11

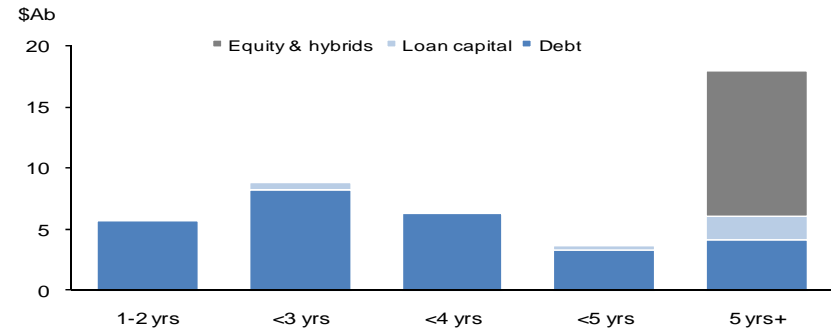


# Well diversified funding sources

## Diversity of MGL funding sources



## Term funding (drawn and undrawn<sup>1</sup>) maturing beyond one year (including equity and hybrids)



- Well diversified funding sources
- Minimal reliance on short term wholesale funding markets
- Deposit base represents 36% of total funding sources
- Term funding beyond one year (excluding equity) has a weighted average term to maturity of 4.1 years<sup>2</sup>

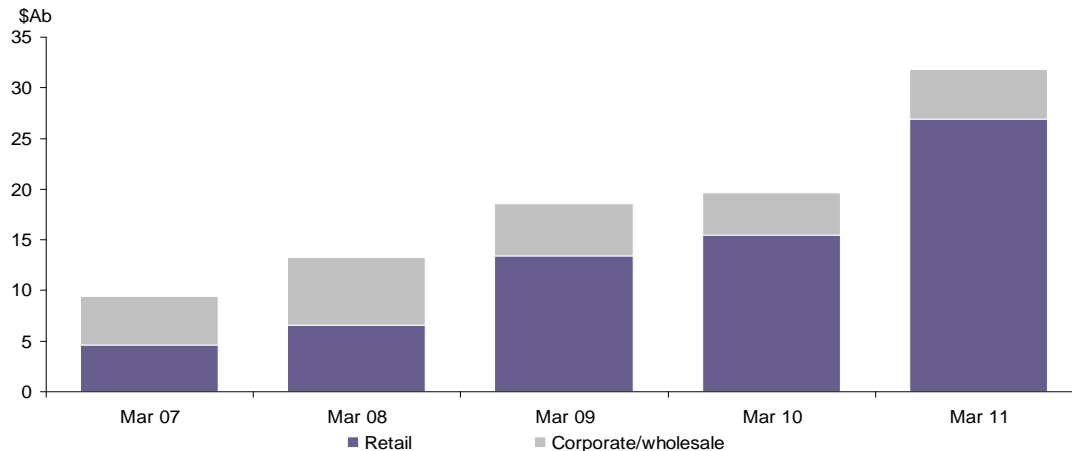
1. Undrawn term facilities for the Group include \$A0.3b undrawn of the Senior Credit Facility and \$A0.4b of other undrawn facilities, 2. Includes \$A1b MBL subordinated debt issuance in Apr 11





# Continued retail deposit growth

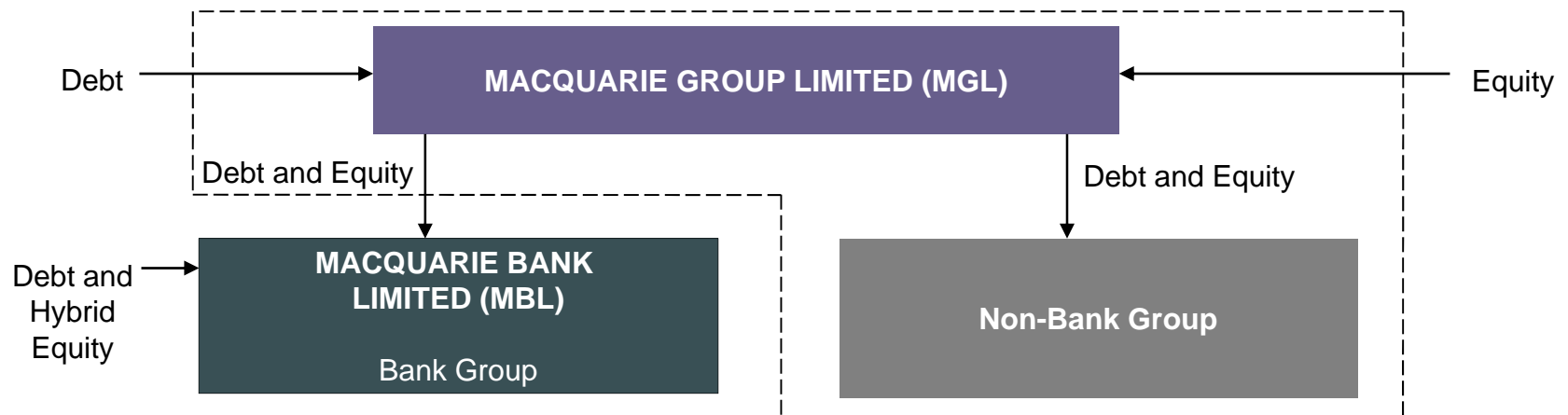
- Macquarie has been successful in pursuing its strategy of diversifying its funding sources through growing its deposit base
  - Retail deposits increased to \$A26.6b at Mar 11 from \$A15.5b at Mar 10, primarily driven by \$A9.6b of CMT funds transferred to Macquarie's CMA in Jul 10
  - Continuing focus on improving the composition and quality of the deposit base:
    - Growing deposits in the CMA product which has an average balance of \$A35k





# Group funding structure

- MGL and MBL are the Group's two primary external funding vehicles which have separate and distinct funding, capital and liquidity management arrangements
- MBL provides funding to the Bank Group
- MGL provides funding predominantly to the Non-Bank Group





# Funded balance sheet reconciliation

- The Group's statutory balance sheet is prepared based on generally accepted accounting principles which do not represent actual funding requirements
- A funded balance sheet reconciliation has been prepared to reconcile the reported assets of the consolidated Group to the assets that require funding

	Mar 11 \$Ab	Mar 10 \$Ab
<b>Total assets per Statutory Balance Sheet</b>	<b>157.6</b>	<b>145.9</b>
<b><i>Deductions:</i></b>		
Self funded trading assets	(14.7)	(15.4)
Derivative revaluation accounting gross ups	(20.5)	(21.2)
Life investment contracts and other segregated assets	(8.1)	(7.3)
Broker settlement balances	(6.3)	(5.7)
Working capital assets	(7.6)	(6.6)
<b><i>Less non-recourse funded assets:</i></b>		
Securitised assets and non-recourse warehouses	(12.8)	(14.8)
<b>Total assets per Funded Balance Sheet</b>	<b>87.6</b>	<b>74.9</b>



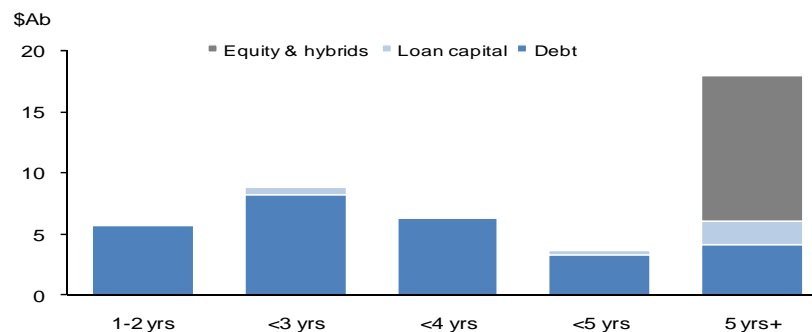
# Funded balance sheet

31 March 2011

	Mar 11 \$Ab	Mar 10 \$Ab
<b>Funding sources</b>		
Negotiable certificates of deposit	1.7	1.9
Commercial paper	3.5	3.0
Net trade creditors	0.5	0.4
Structured notes	3.5	2.8
Secured funding	10.6	8.3
Bonds	16.6	17.5
Other loans	0.3	0.7
Senior credit facility	4.5	6.9
Corporate/wholesale deposits	5.0	4.1
Retail deposits	26.6	15.5
Loan capital <sup>1</sup>	2.9	2.0
Equity and hybrids <sup>2</sup>	11.9	11.8
<b>Total funding sources</b>	<b>87.6</b>	<b>74.9</b>
<b>Funded assets</b>		
Cash and liquid assets	26.0	22.2
Net trading assets	15.0	12.7
Loan assets < 1 year	7.6	7.2
Loan assets > 1 year	28.6	22.3
Assets held for sale	0.1	0.1
Debt investment securities	2.8	2.8
Co-investment in Macquarie-managed funds and other equity investments	5.5	5.5
Property, plant & equipment and intangibles	2.0	2.1
<b>Total funded assets</b>	<b>87.6</b>	<b>74.9</b>

- Well diversified funding sources
- Minimal reliance on short term wholesale funding markets
- Deposit base represents 36% of total funding sources
- Term funding beyond one year (excluding equity) has a weighted average term to maturity of 4.1 years<sup>3</sup>

## Term funding (drawn and undrawn<sup>4</sup>) maturing beyond one year (including equity and hybrids)



1. This includes Convertible Preference Securities of \$A0.6b and Preferred Membership Interests of \$A0.4b. 2. Equity includes ordinary capital and Macquarie Income Securities of \$A0.4b, and Hybrids includes the Macquarie Income Preferred Securities of \$A0.1b. 3. Includes \$A1b MBL subordinated debt issuance in Apr 11. 4. Undrawn term facilities for the Group include \$A0.3b undrawn of the Senior Credit Facility and \$A0.4b of other undrawn facilities



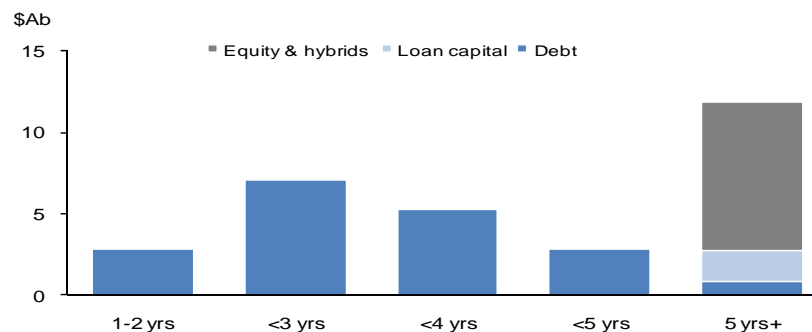
# Funding for the Bank Group

31 March 2011

	Mar 11 \$Ab	Mar 10 \$Ab
<b>Funding sources</b>		
Negotiable certificates of deposit	1.7	1.9
Commercial paper	3.5	3.0
Structured notes	2.9	2.6
Secured funding	8.9	7.7
Bonds	12.5	14.3
Other loans	-	0.2
Corporate/wholesale deposits	5.0	4.1
Retail deposits	26.6	15.5
Loan capital	1.9	1.4
Equity and hybrids <sup>1</sup>	9.1	8.5
<b>Total funding sources</b>	<b>72.1</b>	<b>59.2</b>
<b>Funded assets</b>		
Cash and liquid assets	23.8	20.1
Net trading assets	13.4	11.3
Loan assets < 1 year	7.2	6.8
Loan assets > 1 year	26.2	21.3
Assets held for sale	-	0.1
Debt investment securities	2.6	2.5
MBL intra-group loan to MGL	0.7	1.2
Non-Banking Group deposit with MBL	(4.6)	(6.9)
Co-investment in Macquarie-managed funds and other equity investments	1.8	1.6
Net trade debtors	-	0.1
Property, plant & equipment and intangibles	1.0	1.1
<b>Total funded assets</b>	<b>72.1</b>	<b>59.2</b>

- Bank balance sheet remains very liquid, well capitalised and with a diversity of funding sources
- Term funding beyond one year (excluding equity) has a weighted average term to maturity of 4.0 years<sup>2</sup>
- Retail deposits of Macquarie Bank Limited benefit from the guarantee provided by the Australian Government<sup>3</sup>

## Term funding (drawn and undrawn<sup>4</sup>) maturing beyond one year (including equity and hybrids)



1. Equity includes ordinary capital and Macquarie Income Securities of \$A0.4b. Hybrids include the Macquarie Income Preferred Securities of \$A0.1b. 2. Includes \$A1b MBL subordinated debt issuance in Apr 11. 3. The first \$A1m of aggregate retail deposits held by an individual is guaranteed under the Financial Claims Scheme. 4. Undrawn term facilities for the Bank Group include \$A0.4b of other undrawn facilities



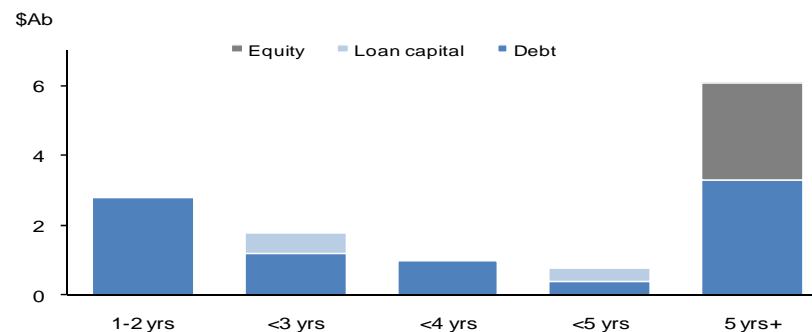
# Funding for the Non-Bank Group

31 March 2011

	Mar 11 \$Ab	Mar 10 \$Ab
<b>Funding sources</b>		
MBL intra-group loan to MGL	0.7	1.2
Net trade creditors	0.5	0.5
Structured notes	0.6	0.2
Secured funding	1.7	0.6
Bonds	4.1	3.2
Other loans	0.3	0.5
Senior credit facility	4.5	6.9
Loan capital <sup>1</sup>	1.0	0.6
Equity	2.8	3.3
<b>Total funding sources</b>	<b>16.2</b>	<b>17.0</b>
<b>Funded assets</b>		
Cash and liquid assets	2.2	2.1
Non Banking Group deposit with MBL	4.6	6.9
Net trading assets	1.6	1.4
Loan assets < 1 year	0.4	0.4
Loan assets > 1 year	2.4	1.0
Assets held for sale	0.1	-
Debt investment securities	0.2	0.3
Co-investment in Macquarie-managed funds and other equity investments	3.7	3.9
Property, plant & equipment and intangibles	1.0	1.0
<b>Total funded assets</b>	<b>16.2</b>	<b>17.0</b>

- Non-Bank Group is predominantly term funded
- Term funding beyond one year (excluding equity) has a weighted average term to maturity of 4.5 years<sup>2</sup>
- First tranche of MGL Senior Credit Facility was repaid in Nov 10 (\$A2.4b)

## Term funding (drawn and undrawn<sup>3</sup>) maturing beyond one year (including equity)



1. Mar 11 balance includes Convertible Preference Securities of \$A0.6b and Preferred Membership Interests of \$A0.4b. 2. Does not include \$US0.7b intra-group loan, which was repaid in full in Apr 11. 3. Undrawn term facilities for the Non-Bank include \$A0.3b undrawn on the Senior Credit Facility



# Explanation of Funded Balance Sheet reconciling items

**Self funded trading assets:** There are a number of entries on the balance sheet that arise from the normal course of trading activity we conduct with our clients and counterparties. They typically represent both sides of a transaction. The entries off-set each other as both the asset and liability positions are recorded separately. Where these entries are matched, they do not require funding

**Derivative re-valuation accounting gross ups:** Macquarie's derivative activities are mostly client driven with client positions hedged by off-setting positions. The derivatives are largely matched and this adjustment reflects that the matched positions do not require funding

**Life investment contracts and other segregated assets:** These represent the assets and liabilities that are recognised where we have products such as investment-linked policy contracts. The policy (contract) liability will be matched by assets held to the same amount and hence do not require funding

**Broker settlement balances:** At any particular time our broking business will have outstanding trades to settle with other brokers. These amounts (payables) can be offset in terms of funding by amounts that we are owed at the same time by brokers on other trades (receivables)

**Short term working capital assets:** As with the broker settlement balances above, Macquarie through its day-to-day operations generates working capital assets (e.g. receivables and prepayments) and working capital liabilities (e.g. creditors and accruals) that produce a 'net balance' that requires funding rather than the gross balance

**Securitised assets and non-recourse warehouses:** Some lending assets (mortgages and leasing) are commonly sold down into external securitisation entities or transferred to external funding warehouses. As a consequence they are non-recourse to Macquarie and are funded by third parties rather than Macquarie



# Further Information

*FY11 Capital*

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# Macquarie Group regulatory capital

## Surplus calculation

	Mar 11 \$Am	
<b>Macquarie Group eligible capital:</b>		
Banking Group Gross Tier 1 capital	8,519	
Non-Bank eligible capital	3,570	
Eligible capital	12,089	(a)
<b>Macquarie Group capital requirement:</b>		
Banking Group contribution		
Risk-weighted assets <sup>1</sup>	55,222	
Internal minimum Tier 1 ratio (Bank)	7%	
Capital required to cover risk-weighted assets	3,866	
Tier 1 deductions <sup>2</sup>	2,527	
Banking Group contribution	6,393	
Non-Banking Group contribution	2,745	
Capital requirement	9,138	(b)
<b>Surplus over Group's minimum regulatory capital requirement</b>	<b>2,951</b>	<b>(a)-(b)</b>

1. In calculating the Banking Group's contribution to Group capital requirement, RWA associated with exposures to the Non-Bank are eliminated (\$A178m at 31 Mar 11). 2. In calculating the Banking Group's contribution to Group capital requirement, Tier 1 deductions arising from transactions with the Non-Bank are eliminated (\$60m at 31 Mar 11)



# Macquarie Group regulatory capital

## Banking Group contribution

31 March 2011	Risk-weighted assets \$Am	Tier 1 Deductions \$Am	Capital Requirement <sup>1</sup> \$Am
Credit risk			
On balance sheet	27,935		1,955
Off balance sheet	12,870		901
Credit risk total	40,805		2,856
Equity risk	1,912		134
Market risk	3,834		268
Operational risk	7,037		493
Other	1,634	2,527	2,642
Contribution to Group capital calculation	55,222	2,527	6,393
Intra-group transactions	178 <sup>2</sup>	60 <sup>3</sup>	
Banking Group standalone capital calculation	55,400	2,587	

1. The capital requirement is calculated as the capital required for RWA, at the internal minimum Tier 1 ratio of the Banking Group (7%), plus Tier 1 deductions. 2. Intra-group loan eliminated for calculation of Group capital requirement. 3. Tier 1 deductions arising from transactions with the Non-Bank are eliminated

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# Macquarie Group regulatory capital

## Non-Banking Group contribution

APRA has specified a regulatory capital framework for MGL

A dollar capital surplus is produced; no capital ratio calculation is specified

APRA has approved Macquarie's Economic Capital Adequacy Model (ECAM) for use in calculating the regulatory capital requirement of the Non-Banking Group

Any significant changes to the ECAM must be approved by the MGL Board and notified to APRA within 14 days

The ECAM is based on similar principles and models as the Basel II regulatory capital framework for Banks, with both calculating capital at a one year 99.9% confidence level:

Risk <sup>1</sup>	Basel II	ECAM
<b>Credit</b>	Capital requirement determined by Basel II formula, with some parameters specified by the regulator (e.g. loss given default)	Capital requirement determined by Basel II formula, but with internal estimates of some parameters
<b>Equity</b>	Simple risk-weight approach or deductions. Tier 1 capital requirement between 24% and 50% of face value <sup>2</sup>	Extension of Basel II credit model to cover equity exposures. Capital requirement between 39% and 82% of face value; average 52%
<b>Market</b>	3 times 10 day 99% Value at Risk (VaR) plus a specific risk charge	Scenario-based approach
<b>Operational</b>	Basel II Advanced Measurement Approach	Basel II Advanced Measurement Approach

1. The ECAM also covers insurance underwriting, non-traded interest rate risk and the risk on assets held as part of business operations, e.g. fixed assets, goodwill, intangible assets, capitalised expenses and certain minority stakes in associated companies or stakes in joint ventures. 2. Assuming an 8% Tier 1 ratio, the 300% and 400% risk weightings for equity exposures under Basel II equate to a capital requirement of 24% or 32%. Any deductions required for equity exposures are 50/50 Tier 1 and Tier 2, hence a 50% Tier 1 capital requirement



# Macquarie Group regulatory capital

## Non-Banking Group contribution

31 March 2011	Assets \$Ab	Capital Requirement \$Am	Equivalent Risk Weight
<b>Funded assets</b>			
Cash and liquid assets	2.2	24	14%
Loan assets <sup>1</sup>	2.8	278	124%
Assets held for sale	0.1	42	648%
Debt investment securities	0.2	9	48%
Co-investment in Macquarie-managed funds and equity investments	3.6	1,690	581%
Co-investment in Macquarie-managed funds (relating to investments that hedge DPS plan liabilities)	0.1		
Property, plant & equipment and intangibles <sup>2</sup>	1.0	283	371%
Non-Banking Group deposit with MBL	4.6		
Net trading assets	1.6		
<b>Total funded assets</b>	<b>16.2</b>	<b>2,326</b>	
<b>Self-funded and non-recourse assets</b>			
Self-funded trading assets	1.7		
Broker settlement balances	4.9		
Derivative revaluation accounting gross-ups	(0.1)		
Working capital assets	3.4		
<b>Total self-funded and non-recourse assets</b>	<b>9.9</b>		
<b>TOTAL NON-BANKING GROUP ASSETS</b>	<b>26.1</b>		
Off balance sheet exposures, operational, market and other risk, and diversification offset <sup>3</sup>		419	
<b>NON-BANKING GROUP CAPITAL REQUIREMENT</b>		<b>2,745</b>	

1. Includes leases. 2. A component of the intangibles relating to the acquisitions of Orion Financial Inc and Tristone Capital Global Inc are supported 100% by exchangeable shares. These exchangeable shares have not been included in eligible regulatory capital. 3. Includes capital associated with net trading assets (e.g. market risk capital), net trade debtors and assets held for sale

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