



Macquarie Group Limited

Operational Briefing

Presentation to Investors and Analysts
7 February 2012

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Disclaimer

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Unless otherwise specified all information is for the quarter ended 31 Dec 11.



Agenda

10:05 – 10:10 Introduction

10:10 – 10:30 Update since the interim result – Nicholas Moore

10:30 – 10:55 Macquarie Securities Group – Stevan Vrcelj

10:55 – 11:20 Corporate and Asset Finance Group – Garry Farrell

11:20 – 11:35 Morning Tea

11:35 – 12:00 Banking and Financial Services Group – Peter Maher

12:00 – 12:15 Operational efficiencies – Greg Ward

12:15 – 12:30 Capital Management – Patrick Upfold



About Macquarie

Macquarie Funds

- Top 50 global asset manager with \$A314b¹ of assets under management
- Provides clients with access to a diverse range of capabilities and products, including infrastructure and real asset management, securities investment management and structured access to funds, equity-based products and alternative assets

Corporate and Asset Finance

- Provider of specialist finance and asset solutions, with more than \$A21b¹ of loans and assets under finance
- Expertise in corporate debt and lease financing across aircraft, motor vehicle, IT&T, energy, rail, manufacturing and mining assets
- One of the largest providers of motor vehicle finance in Australia

Banking and Financial Services

- No.1 full-service Australian retail stockbroker in terms of volume and market share
- Leading provider of retail advisory services and products
- Extensive platform support services to intermediaries in Australia
- Specialist Relationship Banking provider to Small to Medium Enterprises (SME)

Macquarie Securities

- Global institutional securities house with strong Asia-Pacific foundations covering sales, research, ECM, execution and derivatives activities
- Full-service cash equities in Australia, Asia, South Africa and Canada with offerings in US and Europe. Retail derivatives in key locations globally
- Key specialities: infrastructure and utilities, resources (mining and energy), real estate, TMET, industrials and financial institutions

Macquarie Capital

- Global corporate finance capability, including M&A, capital markets and principal investments
- Key specialities: infrastructure, utilities and renewables, resources (mining and energy), real estate, TMET, industrials and financial institutions

Fixed Income, Currencies and Commodities

- Global fixed income, currencies and commodities provider of finance, risk solutions and market access to producers/consumers and financial institutions/investors
- Growing presence in physical commodities (natural gas, LNG, power, oil, coal, base metals, iron ore, sugar and freight)
- Predominant in US and Australia, niche offering in Canada and Latin America, growing presence in Asia and EMEA
- Specialities: commodities, Asian and emerging markets, high yield and distressed debt



Update since the Interim Result Announcement

Nicholas Moore

Managing Director and Chief Executive Officer

Macquarie Group Limited

Operational Briefing

7 February 2012 – Presentation to Investors and Analysts



Overview

- Since our 1H12 result announcement, global economic uncertainty has deepened, with substantially lower levels of client activity in many markets, for example:

	CY11 v CY10		Dec 11 qtr v Sep 11 qtr	
	Asia	Australia	Asia	Australia
Cash equities (value traded)¹	Down 4%	Down 4%	Down 24%	Down 25%
ECM (IPOs by value)²	Down 48%	Down 87%	Down 4%	Down 61%

- Macquarie's annuity-style businesses are performing in line with expectations. Combined, annuity-style businesses' (Macquarie Funds, Banking and Financial Services and Corporate and Asset Finance) FY12 net profit contribution³ is expected to be up 20% on pcp
- FICC saw improved conditions in a number of markets to deliver a Dec 11 qtr net profit contribution up on pcp and significantly up on prior period
- Macquarie Securities Group (MSG) and Macquarie Capital were severely impacted by macroeconomic conditions, with Dec 11 qtr net profit contributions from both groups significantly down on pcp and prior period
 - MSG 2H12 operating income³ is expected to be down 55% on pcp with FY12 down 35% on pcp
 - ECM down 60%, DD1 down 50% and cash equities commissions down 25% for FY12 on pcp
 - Macquarie Capital 2H12 operating income is expected to be down 35% on pcp with FY12 down 30% on pcp



Overview

- In total, capital market facing businesses (MSG, Macquarie Capital and FICC) FY12 operating income¹ is expected to be down approx. 25% on pcp, with FY12 net profit contribution¹ expected to be down approx. 80% on pcp
- Dec 11 qtr included the receipt of the \$A300m cash amount from MAP which has been recorded as income
- Annuity-style businesses' operating expenses for FY12 are expected to be down 5% on pcp
- Capital market facing businesses' operating expenses for FY12 are expected to be down approximately 10% on pcp
 - MSG operating expenses anticipated to be down approx. 20% in 2H12 on pcp with FY12 down approx. 10% (~\$A100m) on pcp
 - Macquarie Capital operating expenses anticipated to be down approx. 15% in both 2H12 and FY12 (~\$A100m FY12) on pcp

1. Operating income represents revenues less those expenses directly attributable to the revenues. Net Profit Contribution is operating income less operating expenses and is reported before profit share and income tax.



Overview

- Reported capital surplus at Dec 11 (APRA Basel II) remains unchanged from Sep 11 at \$A3.5b
- Capital surplus measured under Harmonised Basel III expected to be approx. \$A3.7b measured at 7%¹ and \$A2.7b measured at 8.5%² (APRA 2016 requirement) at 31 Mar 12, \$A0.9b³ measured after APRA 'super equivalence'
 - This surplus capital is expected to allow the commencement of a buyback of up to 10% of MGL ordinary shares, subject to regulatory approval
 - Buyback expected to commence in first half of FY13 and to proceed concurrent with further capital actions

1. Pro-forma 31 Mar 12 surplus calculated using the Tier 1 capital ratio of 7% which is the 2013 requirement. 2. The Tier 1 capital ratio of 8.5% is not required by APRA until 2016 and includes the capital conservation buffer. Does not include future retained earnings or hybrid issuance. Capital requirements may vary with changes in market conditions. 3. APRA has advised that meeting fully implemented APRA's Basel III requirements (not otherwise required until 2016) is a pre-requisite for buyback approval.



Overview

Annuity-style businesses

Operating Group	Market positions	Developments since 1H12
Macquarie Funds	<ul style="list-style-type: none"> – Largest Australian-based asset manager, largest manager of infrastructure assets globally¹ – Ranked first in the Infrastructure Investor magazine listing of the largest infrastructure investors globally² – Won 20 Lipper Awards in 2011 for superior performance³ – Delaware was ranked first in the “Barron’s Fund Families Report” for 2011⁴ – Asian Alpha hedge fund was named Asia Risk’s Hedge Fund of the Year in 2011⁵ and won the 2011 AsiaHedge award for the Best Asia (including Japan) Hedge Fund⁶ – Macquarie Master Diversified Fixed Interest Fund awarded Best Global / Australian Bond fund⁷ 	<ul style="list-style-type: none"> – AUM has decreased from \$A324b to \$A314b primarily driven by \$A16b of negative FX translation against \$A6b of positive market movements, net inflows and acquisitions / restructurings – Continued to build out unlisted infrastructure funds platform – Continued to build out global distribution platform with senior hires in the US, Europe and Australia
Corporate and Asset Finance	<ul style="list-style-type: none"> – One of the largest providers of motor vehicle finance in Australia – One of North America’s largest independent lessors of technology equipment 	<ul style="list-style-type: none"> – Acquisition of portfolios (lending, UK meters and US rail) – Divestment of non-scalable businesses (sale of engine leasing business) – Recycling of loan portfolio through reinvestment of capital
Banking and Financial Services	<ul style="list-style-type: none"> – No.1 ranked full-service retail stockbroker in Australia⁸ – Standard & Poor’s Product Distributor of the Year (Professional Series)⁹ – Macquarie Life Active awarded Canstar CANNEX Innovation Excellence Award for Financial Services 	<ul style="list-style-type: none"> – Broadening existing annuity platforms to attract new funds – including providing administrative functions for Perpetual’s \$A8b wrap platform – Migrating Macquarie Private Wealth Asia to Julius Baer

1. Towers Watson Global Alternatives Survey, Jun 11. For pension assets under management. 2. Jun 11. 3. Including 4 group awards (for Delaware Investments and INNOVEST Kapitalanlage AG). 4. Barron’s/Lipper’s Best Fund Families of 2011. 5. For achievements in risk management and based on nominations by prime brokers in the region. 6. This award is based on producing the best risk-adjusted returns over a 12 month period. 7. Best Global / Australian Bond fund at the *Financial Review Smart Investor* Blue Ribbon Awards for Macquarie Master Diversified Fixed Interest Fund. 8. IRESS: consideration traded and volume, 31 Dec 11. 9. Global Equities Developed Markets category for the Independent Franchise Partners fund.



Overview

Capital market facing businesses

Operating Group	Market positions	Developments since 1H12
Macquarie Securities	<ul style="list-style-type: none"> No.2 Australian institutional investors¹, No.3 Asian institutional investors¹, No.1 US institutional investors² and No.1 European institutional investors¹ overall sales and research into Australian equities No.1 execution broker in Asia for execution quality, No.3 execution broker globally³ 	<ul style="list-style-type: none"> Exited institutional derivatives in the US, UK, Asia and South Africa Closed continental Europe operations – Paris, Munich, Zurich and selected US operations Exited listed public derivatives in Germany Reduced cash equities headcount in Europe and Japan
Macquarie Capital	<ul style="list-style-type: none"> No.1 in Australia and NZ M&A by number of deals⁴ No.1 for Australian Equity and Equity-related deals⁵ Received 15 awards globally in 2011 including Best Domestic Equity House (Australia)⁶ Middle East Infrastructure Deal of the Year (Muharraq STP)⁷ Australian PPP Deal of the Year (New Royal Adelaide Hospital)⁷ Americas Deal of the Year (Puerto Rico PR-22 & PR-5 Toll Roads)⁷ FIG Capital Raising Deal of the Year (Asia Pacific) (Agricultural Bank of China)⁸ Equities Deal of the Year (Sino-Ocean Land)⁸ 	<ul style="list-style-type: none"> Reviewed front and back-office costs and team sizes to reflect market opportunities Entered strategic collaboration with Julius Baer in response to future private and investment banking opportunities in North and South East Asia
FICC	<ul style="list-style-type: none"> ABS Deal of the Year (Macquarie SMART Series 2011-3 Trust)⁹ Winner: Commodity Business Awards for Excellence in Agriculture and Softs, No.2 for FX and No.1 for currency options¹⁰ No.4 US physical gas marketer in North America¹¹ 	<ul style="list-style-type: none"> Credit Trading ceased providing Latin American fixed income products Selectively growing our niche physical businesses – recent additions to the offering include physical sugar

1. Peter Lee Australia. 2. Greenwich Associates. 3. Bloomberg. 4. Dealogic – Australia and NZ M&A completed deals (by deal count) for 1 Apr 11 - 31 Dec 11. 5. Thomson Reuters – total proceeds raised in this market, full value to each lead manager for 1 Oct 11 – 31 Dec 11. 6. AsiaMoney, Jun 11. 7. Project Finance International, Dec 11. 8. FT Banker Awards, May 11. 9. Insto Distinction Awards. 10. AFMA Financial Markets Report 2011. 11. Platts, Sep 11.

14,628¹ staff in over 28 countries

EUROPE, MIDDLE EAST & AFRICA²

Staff: 1,409

ASIA

Staff: 2,959

AMERICAS

Staff: 3,496

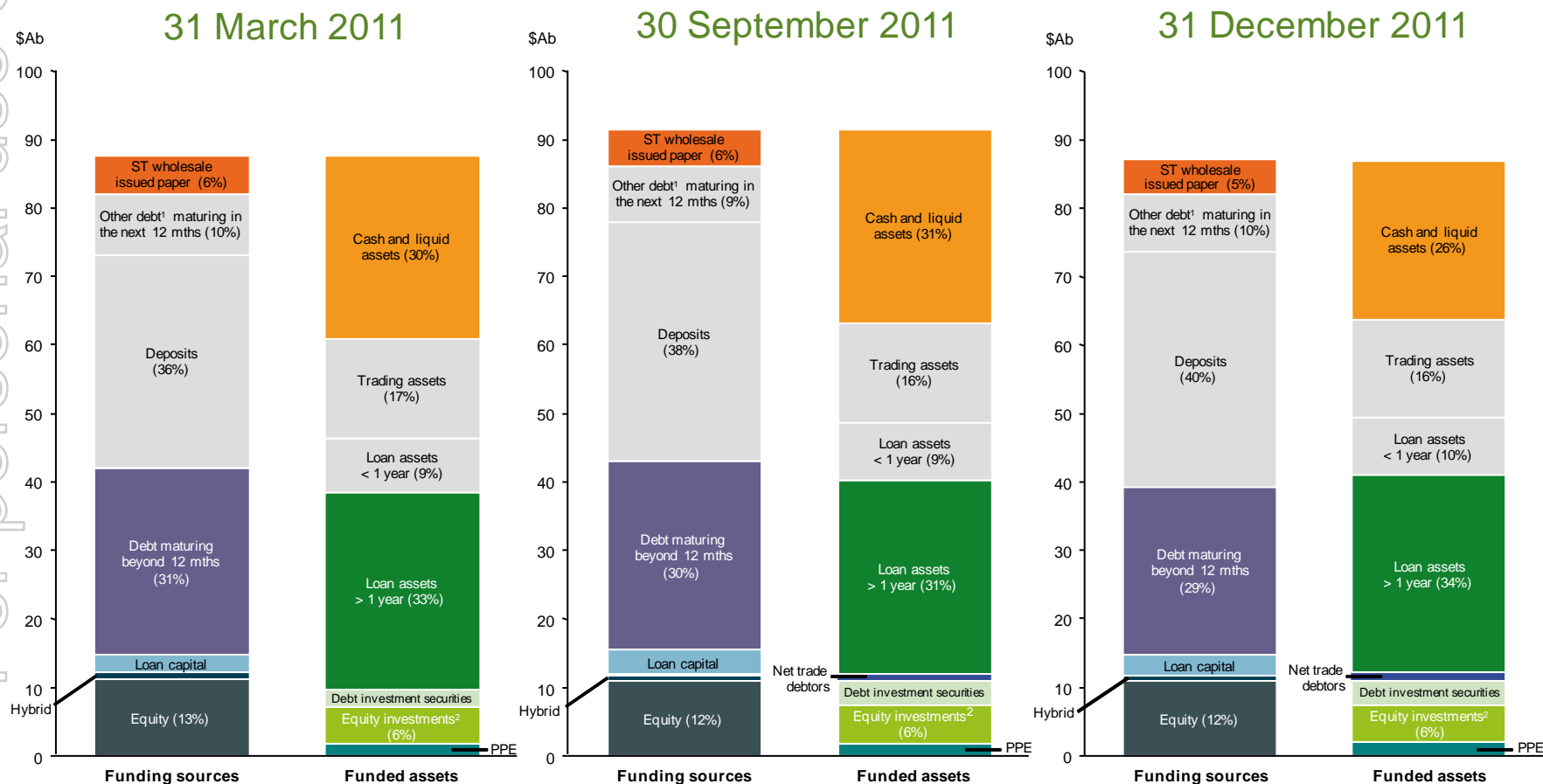


AUSTRALIA³

Staff: 6,764

Funded balance sheet remains strong

Macquarie Group Limited

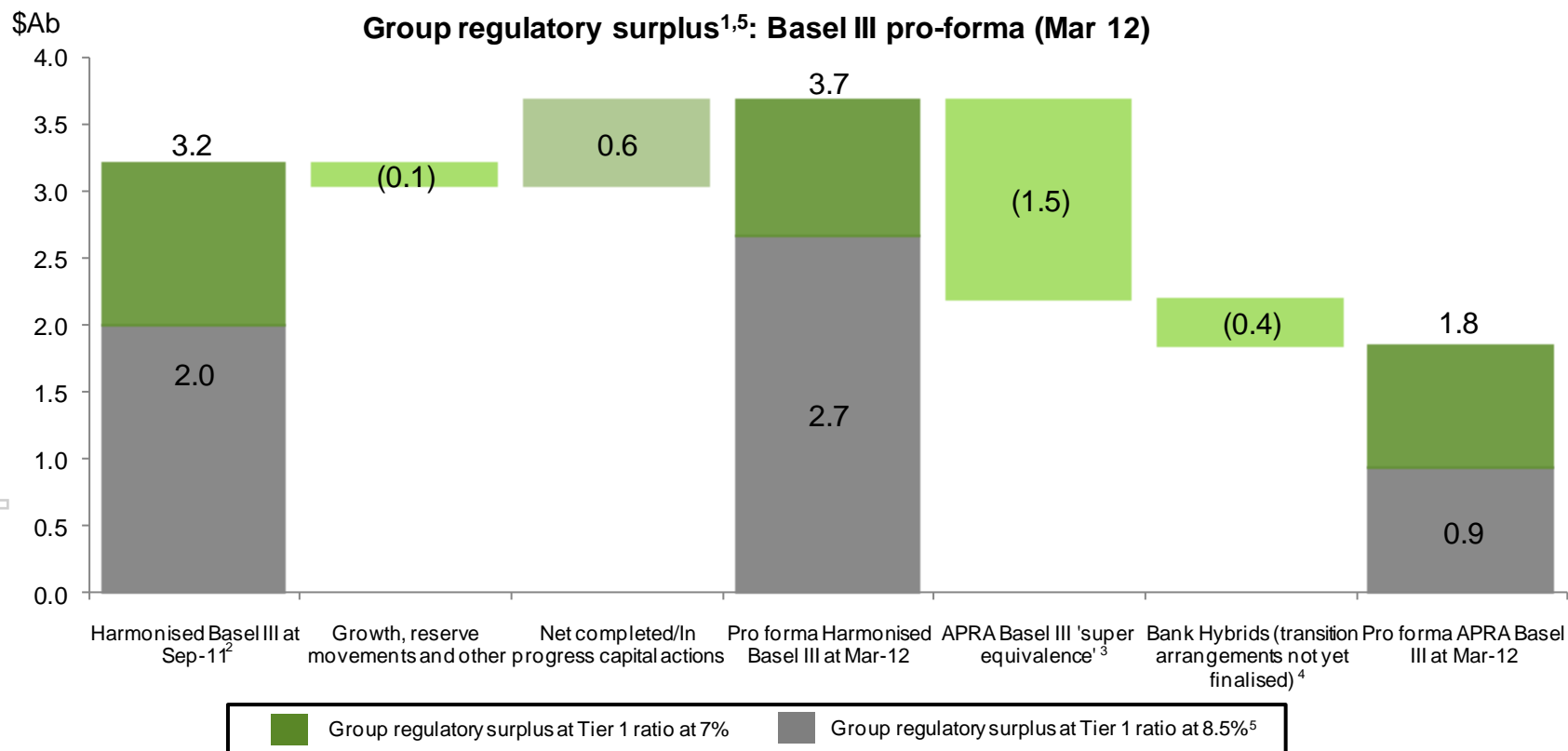


Note: These charts represent Macquarie Group Limited's funded balance sheets at the respective dates noted above.

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

Stable Basel III capital surplus

Strong Harmonised Basel III Banking Group capital ratios expected at Mar 12
Common Equity Tier 1: 11.2%; Tier 1: 11.8%



1. Group regulatory surplus is calculated (per the MGL NOHC authority) applying the internal minimum Tier 1 ratio of 7% in the banking group. Capital requirement may vary with changes in market conditions. 2. 'Harmonised' Basel III estimates assume full alignment with BIS in areas where APRA differs from the BIS. 3. APRA Basel III 'super-equivalence' includes full CET1 deductions of equity investments (-\$A0.9b); deconsolidated subsidiaries (-\$A0.4b); DTA's and other impacts (-\$A0.2b). 4. Ineligible under APRA discussion paper; matter still to be finalised with APRA. 5. The Tier 1 capital ratio of 8.5% is not required by APRA until 2016.



Short term outlook

- Summarised below are the outlook statements for each operating group, the FY12 results for which will continue to vary with market conditions

Operating Group	Net profit contribution				
	FY07- FY11 historical range	FY07-FY11 average	FY11	FY12 outlook as previously updated	Update to FY12 outlook
Macquarie Securities	\$A0.2b – \$A1.2b	\$A0.6b	\$A0.2b	FY12 to be broadly in line with FY11 assuming better market conditions and higher completion of ECM pipeline than in 1H12	FY12 to make a negative contribution
Macquarie Capital	\$A(0.1)b – \$A1.6b	\$A0.7b	\$A0.2b ¹	FY12 to be broadly in line with FY11 assuming better market conditions and higher completion of ECM pipeline than in 1H12	FY12 to be significantly lower than FY11
Macquarie Funds	\$A0.3b – \$A1.1b	\$A0.7b	\$A0.5b ⁴	FY12 to be up on FY11	No change
FICC	\$A0.5b – \$A0.8b	\$A0.6b	\$A0.6b	FY12 to be lower than FY11	No change
Corporate and Asset Finance	\$A0.1b – \$A0.6b ²	\$A0.2b	\$A0.6b ¹	FY12 to be up on FY11	No change
Banking and Financial Services	\$A0.1b – \$A0.3b ³	\$A0.2b	\$A0.3b	FY12 to be broadly in line with FY11	No change
Corporate	<ul style="list-style-type: none"> – Compensation ratio to be consistent with historical levels – Continued higher cost of funding reflecting market conditions and high liquidity levels – FY12 likely to be impacted by previously announced MAP cash amount⁵ 				No change

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 \$A248m as this is a discontinued business. 4. Macquarie Funds has been restated for Macquarie's equity investment in MAP transferred from Macquarie Funds to Corporate. 5. The MAP cash amount has been accounted for as income.



Outlook for 2H12

- Since our update on 28 October, Macquarie Securities and Macquarie Capital have continued to experience difficult trading conditions in many markets
- Accordingly, and as previously indicated, Macquarie's result for FY12 is expected to be lower than FY11. Based on current market conditions we anticipate:
 - 2H12 NPAT to be approx. 35% up on 1H12 and approx. 25% down on pcp. Expected 2H12 increase on 1H12 principally due to significantly improved FICC contribution and the MAp cash amount which offset weaker contribution from Macquarie Securities
 - FY12 to be approx. 25% lower than FY11
- FY12 outlook is also subject to the completion rate of transactions and the conduct 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
 - 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
 - Macquarie Funds, 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



Medium Term Approximate business Basel III ROE

Group	Basel III Equity \$Ab	Approx. Annualised 1H12 Return on Equity ¹	Approx. 5 Year Average FY07 – FY11	
Annuity-style businesses (excluding legacy)			Approx. Return on Equity ¹	
Macquarie Funds Group	1.5	Approx. 23%	20% ²	
Corporate and Asset Finance	1.6			
Banking and Financial Services	0.7			
Capital market businesses (excluding legacy)			5 Year Average Profit pre tax and profit share \$Ab	Approx. 5 Year Average Return on Equity ¹
Macquarie Securities	0.7	Approx. 0%	0.6	40%
Macquarie Capital	1.3		0.7	20%
FICC	2.5		0.6	15%

Potential performance factors

Macquarie Securities

- ECM fees to FY11 levels +\$A0.1b
- Cash equities FY11 levels +\$A0.2b
- Reduced operating costs +\$A0.2b

Macquarie Capital

- ECM fees to FY11 levels +\$A0.1b
- Increased activity +\$A0.2 to +\$A0.4b
- Reduced operating costs +\$A0.1b

FICC

- Continuation of activity levels seen during 2H12

1. RoE calculated as NPAT divided by Pro-forma Basel III equity (applying a 7% core equity ratio in the banking group). NPAT used in the calculation of approx. ROE is based on Operating Group's net profit contribution adjusted for indicative allocations of profit share, tax and other corporate expenses. 2. CAF excluded from 5 year average as not meaningful given the significant increase in scale of CAF's platform over the 5 year period.



Macquarie Securities Group

Stevan Vrcelj
Group Head

Macquarie Group Limited

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Macquarie Securities Group

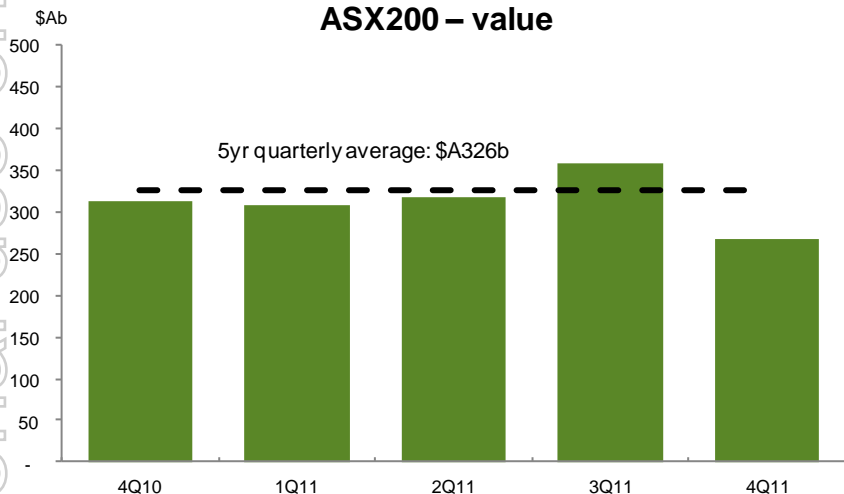
1. Current challenges in global equities markets
2. Implications of challenges for MSG FY12 result
3. Our response to current market conditions
4. Looking beyond current market challenges



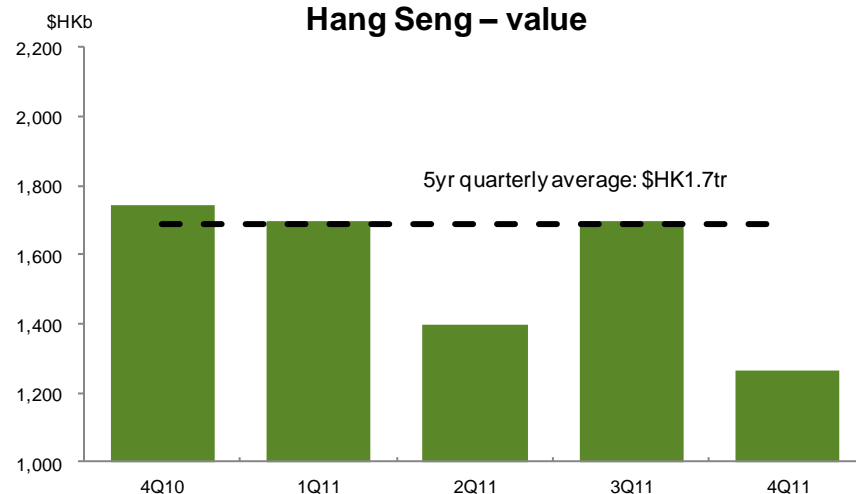
Update on market conditions

Equity

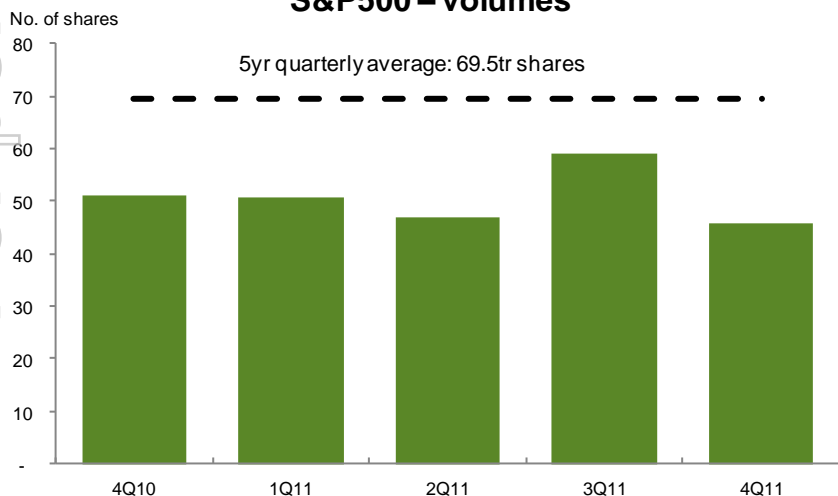
ASX200 – value



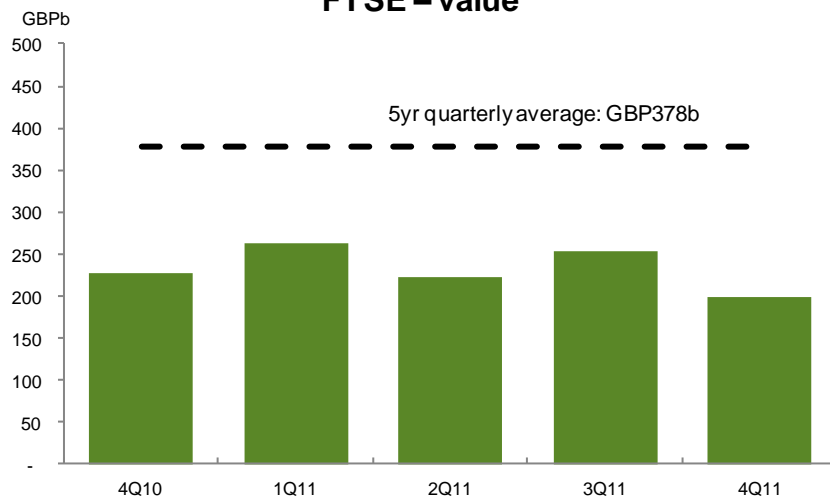
Hang Seng – value



S&P500 – volumes

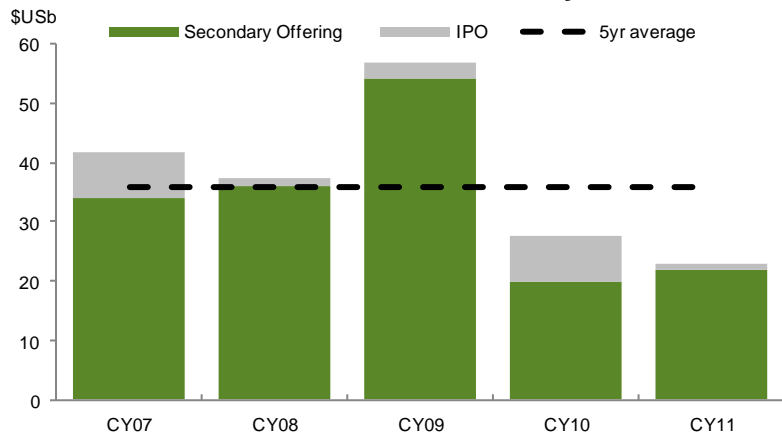


FTSE – value

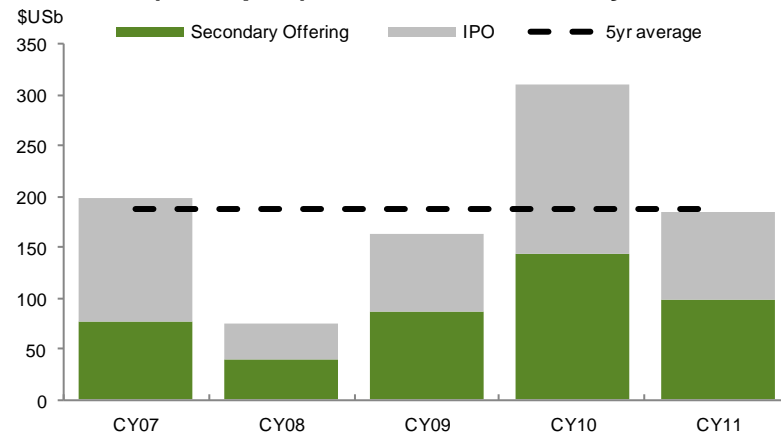


Update on market conditions ECM

Australian IPOs and secondary issues



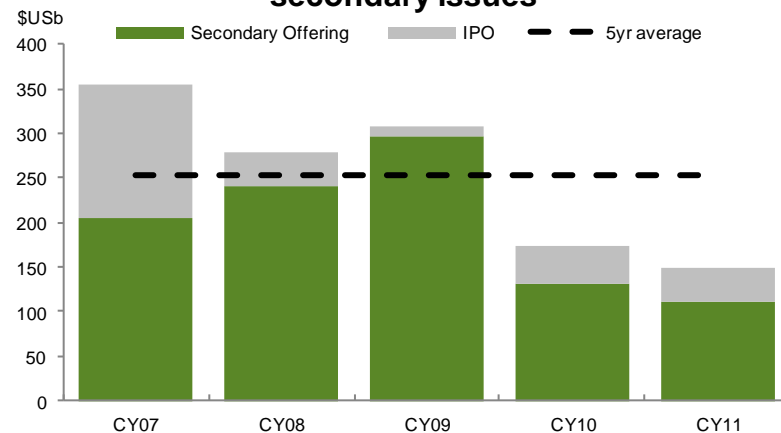
Asia (ex Japan) IPOs and secondary issues



United States IPOs and secondary issues



Europe, Middle East and Africa IPOs and secondary issues

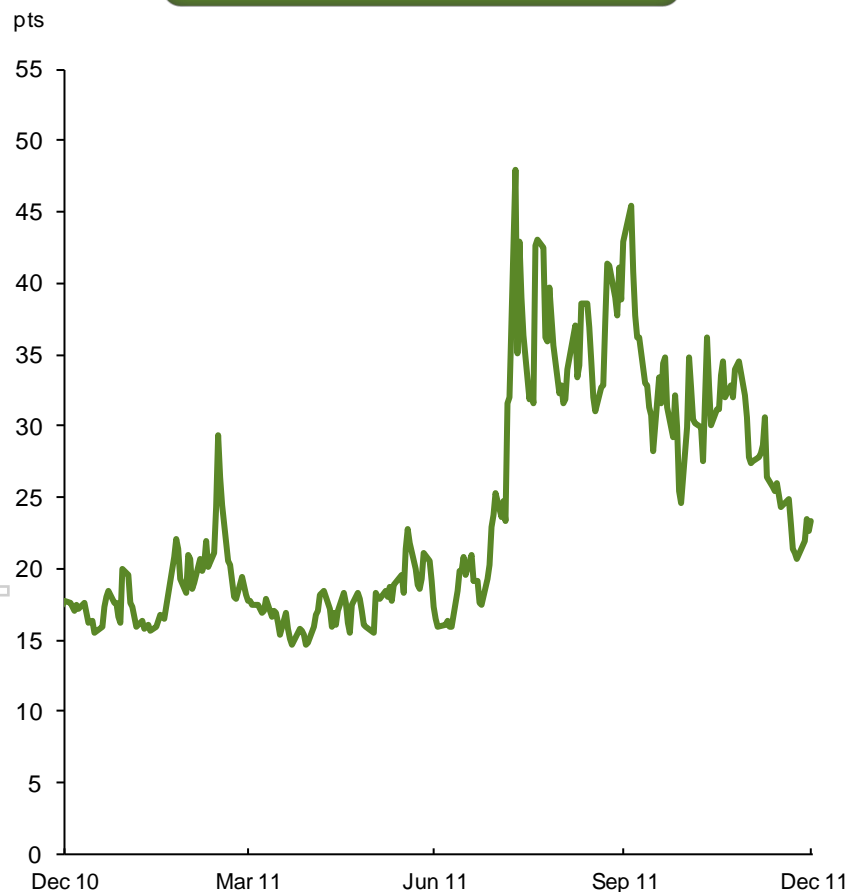




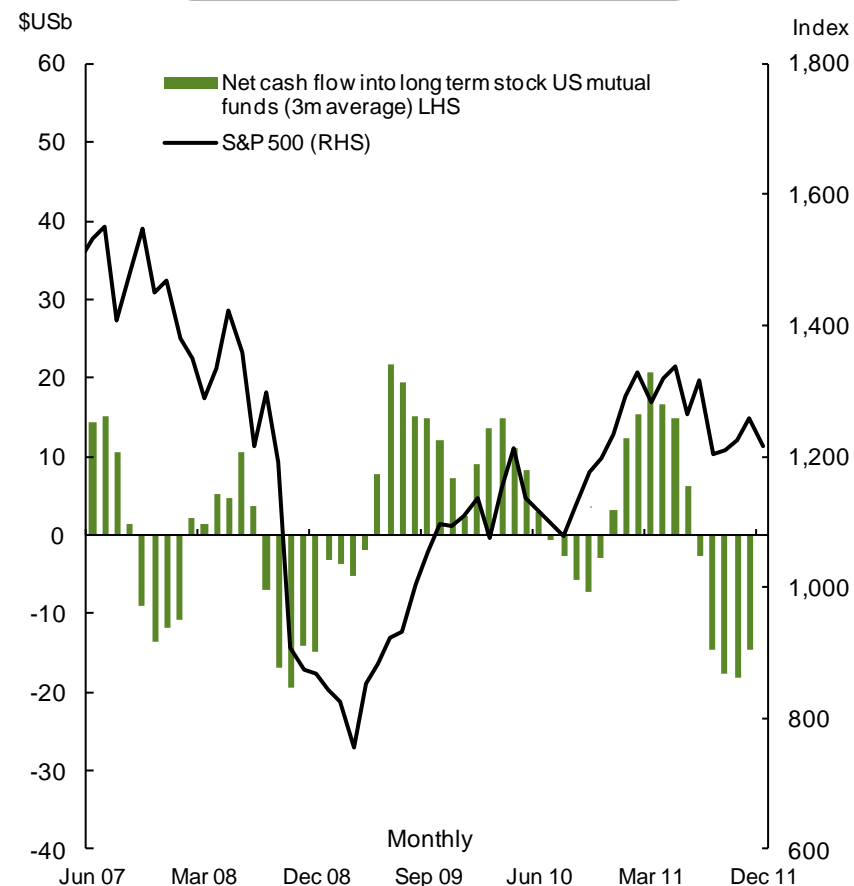
Update on market conditions

Derivatives

VIX volatility index¹



Equity inflows²



1. VIX data and Indices data to 31 Dec 11. Source: Bloomberg. 2. Thomson Reuters Global Equity Fund Flow Dec 11.



Macquarie Securities Group

Response to current market conditions

- To meet current market challenges we are:
 - Reviewing our portfolio and exiting some businesses
 - Reducing costs
 - Optimising how we use capital and funding
 - Focussing on key strengths and markets



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Derivatives



Derivatives

FY12 update

- Derivatives business impacted by cyclical factors and structural change
- Macroeconomic conditions deteriorated markedly in 2H12 as the European sovereign debt crisis deepened
 - Significant decrease in client volumes as demand fell globally for equity structured products resulting in a sharp decline in revenues against a relatively fixed cost base
 - Margin pressures continued across most derivatives products
 - Cost structures uneconomic in current market
- Structural impact of increasing regulatory and capital requirements
- Review of business mix has resulted in the exit or significant scale back of a number of derivatives businesses, particularly in Europe
- As a consequence the MSG FY12 result will include some non-recurring operating losses as well as exit costs associated with closing down and scaling back businesses in total equivalent to approx. 10% of total expected MSG FY12 operating expenses



Derivatives

Review of business mix



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Cash and ECM



Cash and ECM

FY12 update

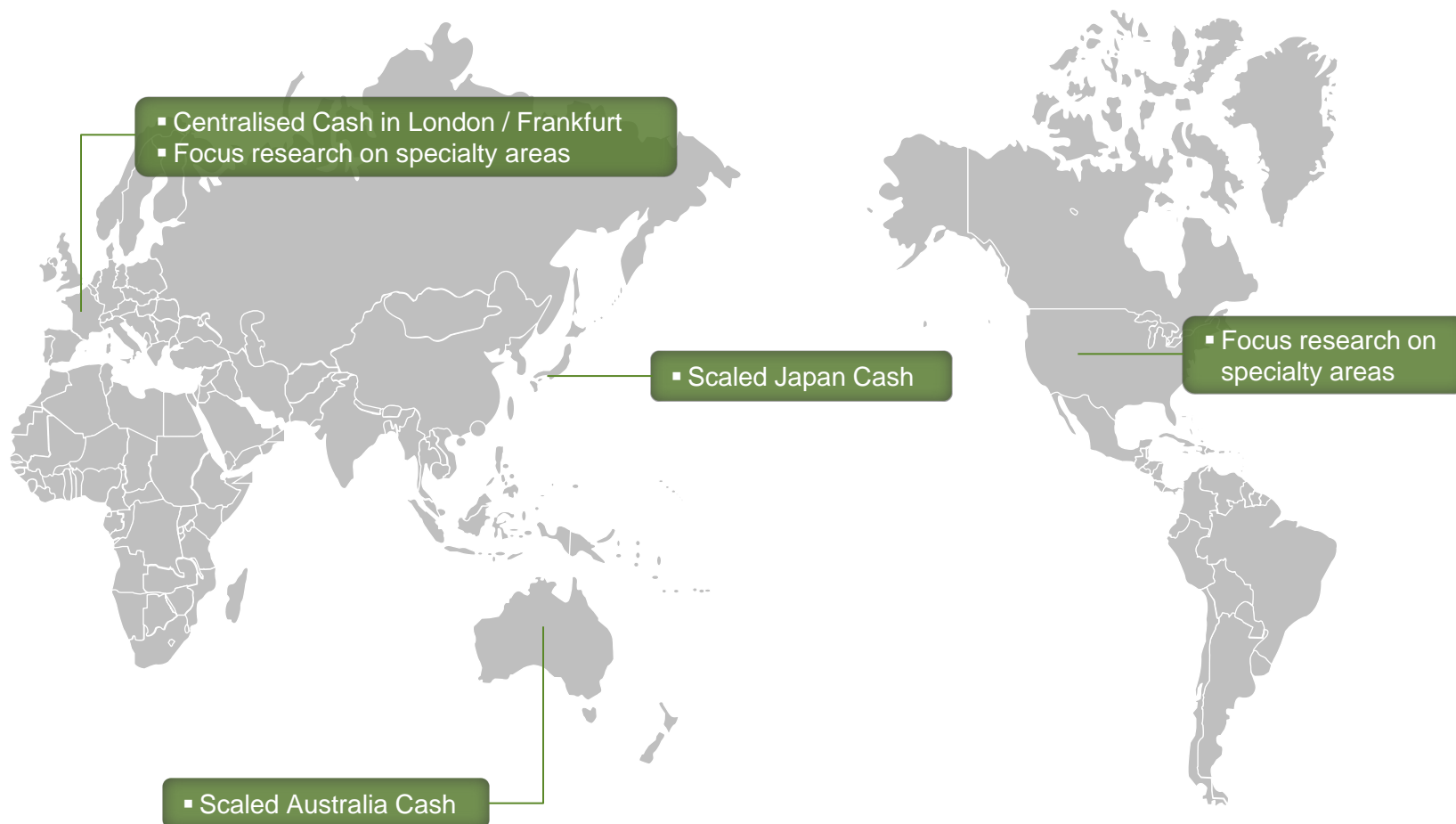
- Cash and ECM impacted by cyclical factors
 - Low institutional client volumes in Dec 11 qtr reflected investor uncertainty regarding economic outlook
 - ECM markets, particularly in Asia and Australia, were extremely subdued in the Dec 11 qtr following a weak Sep 11 qtr
- Operational focus on driving efficiency gains while maintaining and strengthening franchise positions
 - Continuing programme to right size the business for current markets in each region
 - Cost efficiencies to deliver run rate savings of approx. 20% by FY13¹
- Continuing to deliver best advice, execution and research to our clients
 - Maintained share of regional commission pools and client rankings
- Cash equities and ECM structured to maintain profitability in current markets while remaining well positioned for an upturn in market conditions

1. Excluding brokerage and commissions expense.



Cash and ECM

Review of business mix





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Going Forward



Going forward Derivatives

Derivatives is focusing on core offerings in key global markets where we have a history of profitability

- Warrants
 - No.1 market share in Korea¹ and Singapore²
 - No.3 in Hong Kong³ and No.3 in Australia⁴
 - Minis launched in Aug 11 in Australia, capturing 19% market share⁴
- Asian DR House
 - Leading market share in Asian ADR and GDR trading
 - No.1 ranked broker by market share in Indian GDRs⁵
 - No.2 ranked broker by market share in Asian closed market ADR/GDR listings⁵
 - Trading desk operates 24 hours covering Asia, Europe and US time zones

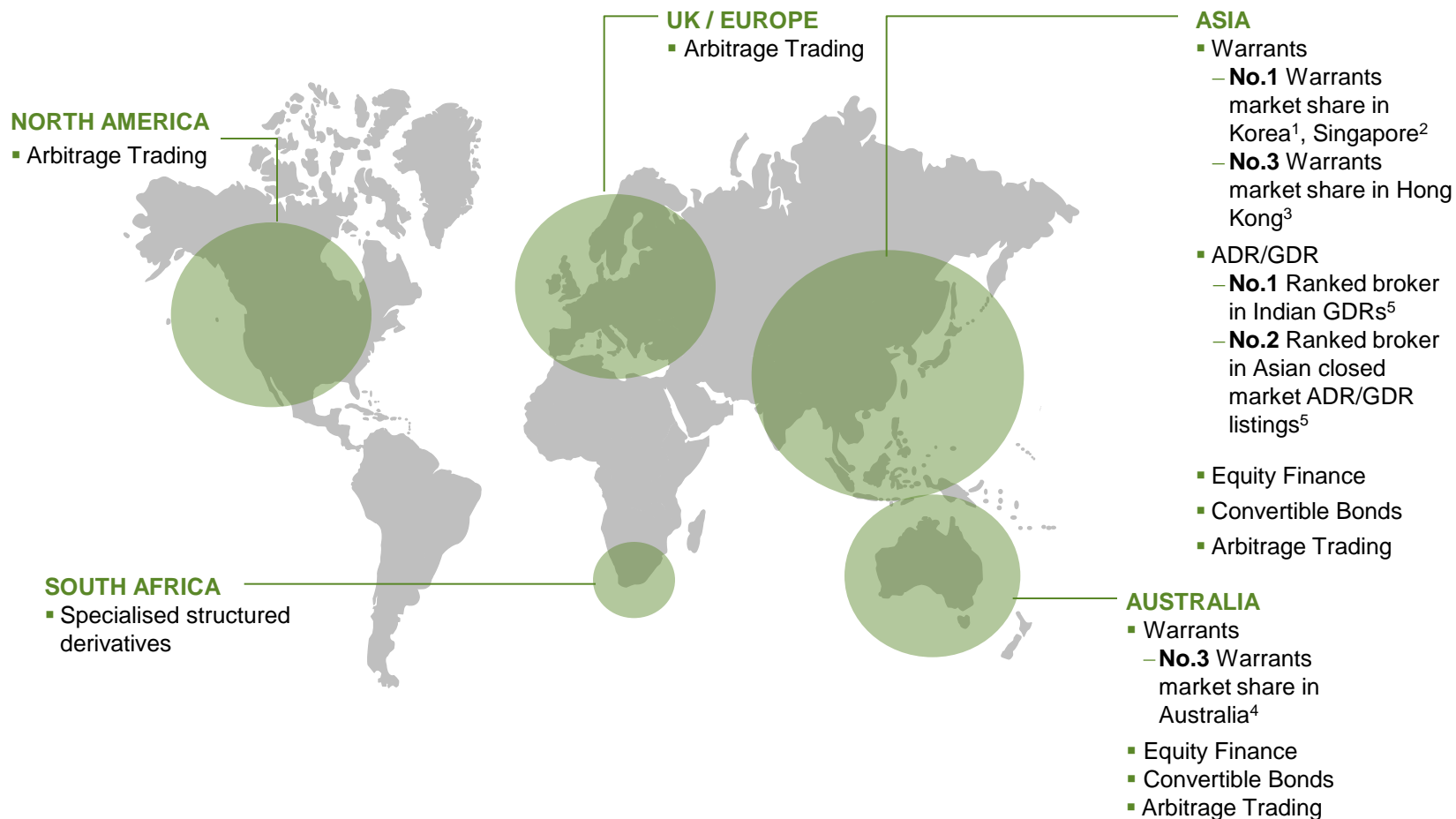


Going forward Derivatives

- Asian and Australian equity finance capability – facilitates client activity
 - Full-service synthetic prime broker supporting hedge fund clients of the cash business requiring leverage, stock borrow and market access
 - Provision of swap and other capabilities to corporate clients of Macquarie Capital
- South Africa
 - Specialised structured derivatives business with local skills and knowledge
- Asian and Australian convertible bond execution and distribution
 - Complements Macquarie Capital
- Arbitrage Trading
 - Dual listed stocks, ETFs, Index Arbitrage and Corporate Action Trading
- Cost base significantly reduced as a result of exiting and scaling businesses



Going forward Derivatives





Going forward

Cash equities

- Cash equities
 - Account management
 - Deliver product and service excellence – Research and Sales
 - Leveraging efficient and high quality execution capability
 - Global distribution platform for capital raisings
 - Corporate access
- Asia-Pacific specialist with a focused global product. Full-service in Asia-Pacific, a targeted approach in North America and EMEA



Going forward

Global securities platform

■ **Over 2,250** stocks under coverage, No.9 globally¹

■ **11th** largest revenue firm globally

NORTH AMERICA

- 57 analysts
- 710 stocks covered
- 57% market capitalisation

UK / EUROPE

- 29 analysts
- 277 stocks covered
- 50% market capitalisation

SOUTH AFRICA

- 14 analysts
- 79 stocks covered
- 89% market capitalisation

ASIA

- 96 analysts
- 893 stocks covered
- 52% market capitalisation

AUSTRALIA / NZ

- 39 analysts
- 292 stocks covered
- 96% market capitalisation



Going forward Global coverage

One of the leading distribution platforms

- Trading capability in **50** countries and **113** exchange platforms
- **230+** equity research analysts covering over **2,250** stocks
- **300+** sales staff covering more than **3,000+** institutional clients

Highly rated capabilities

Bloomberg

EXECUTION

- No. 3** Globally
- No. 1** In Asia

Peter Lee Associates

- No. 2** Overall sales and research
AU Institutions, AU equities
- No. 1** Overall sales and research
EU institutions, AU equities

Financial Times Starmine

- No. 3** S&P buy / sell
recommendations
- No. 3** Thomson Reuters Asia-
Pacific developed index
recommendations

Greenwich Associates

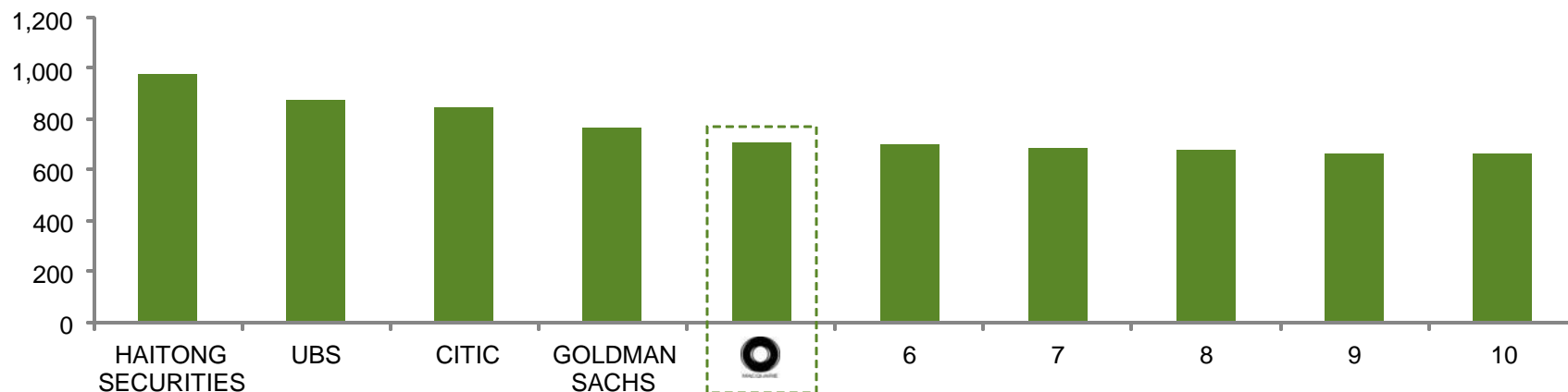
- No. 1** Australian Equity Overall sales and research - US institutions, AU equities
- No. 2** Asian Equity Research / Advisory Share – US Institutions, Asian PMs
- No. 4** Overall Asian Equity Trading Quality – US Institutions, Asian PMs
- No. 3** Overall Asian Equity Trading Quality – European Institutions, Asian PMs



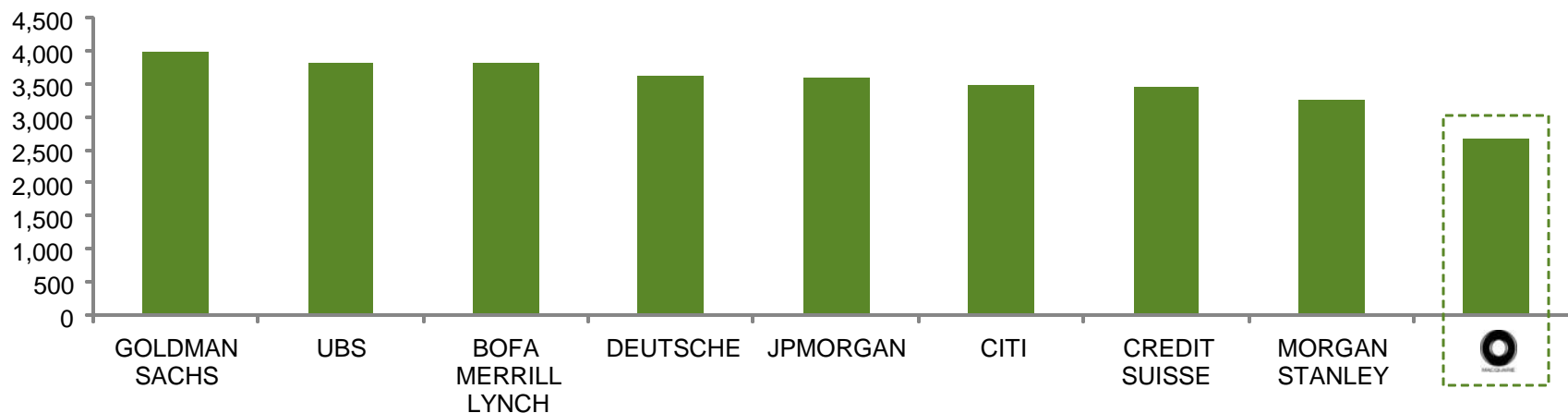
Going forward

Strength in research coverage

Macquarie – No.5 Research Coverage in Asia-Pacific (ex Japan, Australia)



Macquarie Cash Equities is No.9 in Terms of Global Research Coverage





Going forward

Deep expertise across key global sectors

- High quality, fundamental, institutionally focused
- Globally coordinated
- Deep industry expertise

Oil & Gas



- Integrated oil E&P
- Refining
- Oil field services
- Drilling
- Oil & Gas economics

Utilities & Industrials



- Regulated utilities
- Unregulated utilities
- IPP's
- Water
- Alternative energy
- E&C
- Capital goods
- Business Services
- Steel

Infrastructure



- Rail
- Trucking
- Shipping
- Airport services
- Ports

Financial Services



- Banks
- Insurance
- Mortgage
- Credit cards
- Brokers
- Exchanges
- Mortgage REITs
- Accounting
- P&C
- Specialty Finance

Real Estate



- Commercial
- Residential
- Industrial
- Strategy
- Prisons

Technology, Media & Telecommunications



- Telecom services
- Wireless
- Handsets
- Telco equipment
- Entertainment
- Media distribution
- Enterprise S/W
- Hardware
- Semiconductor
- Semi Cap equipment
- Internet

Quantitative Research



- Signals
- Portfolio construction
- Primary research
- Academic abstracts

Commodities



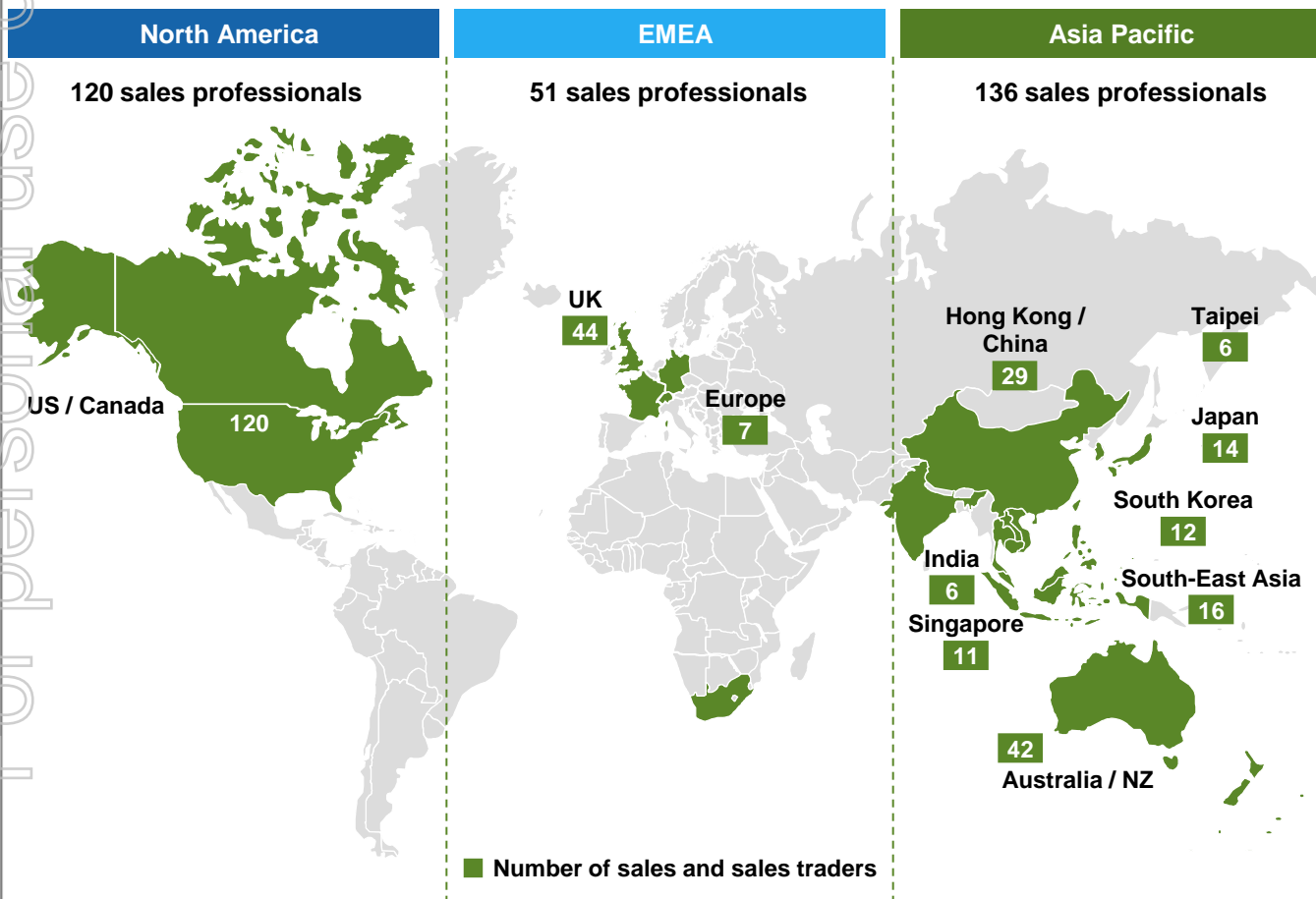
- Base metals
- Precious metals
- Commodity price forecasting



Going forward

Global distribution and execution capabilities

Overview of Global Distribution Platform



Bloomberg Broker Rankings 2010

Bloomberg

Asia – Best Broker by Region (Basis Points*)

1	Macquarie Group	1.40
2	CLSA	0.66
3	Goldman Sachs	-1.03
4	Nomura Holdings	-1.27
5	Daiwa Securities	-1.86

World's Best Brokers (Basis Points*)

1	Deutsche Bank	2.28
2	Credit Suisse	2.09
3	Macquarie Group	0.54
4	Liquidnet	0.33
5	UBS	0.08
6	Citigroup	-0.09
7	Nomura Holdings	-0.18
8	Jefferies	-0.45
9	Goldman Sachs	-0.46
10	BNY ConvergeEx Grp	-0.49

* Difference between the broker's actual loss (from the time the broker received the order to the executed stock price) and the median result, or benchmark, from a universe of similar trades. When the differential is negative, the broker missed the benchmark. Ranking is for the four quarters ended on Sep 30, 2010.

Source: Ancerno, Bloomberg

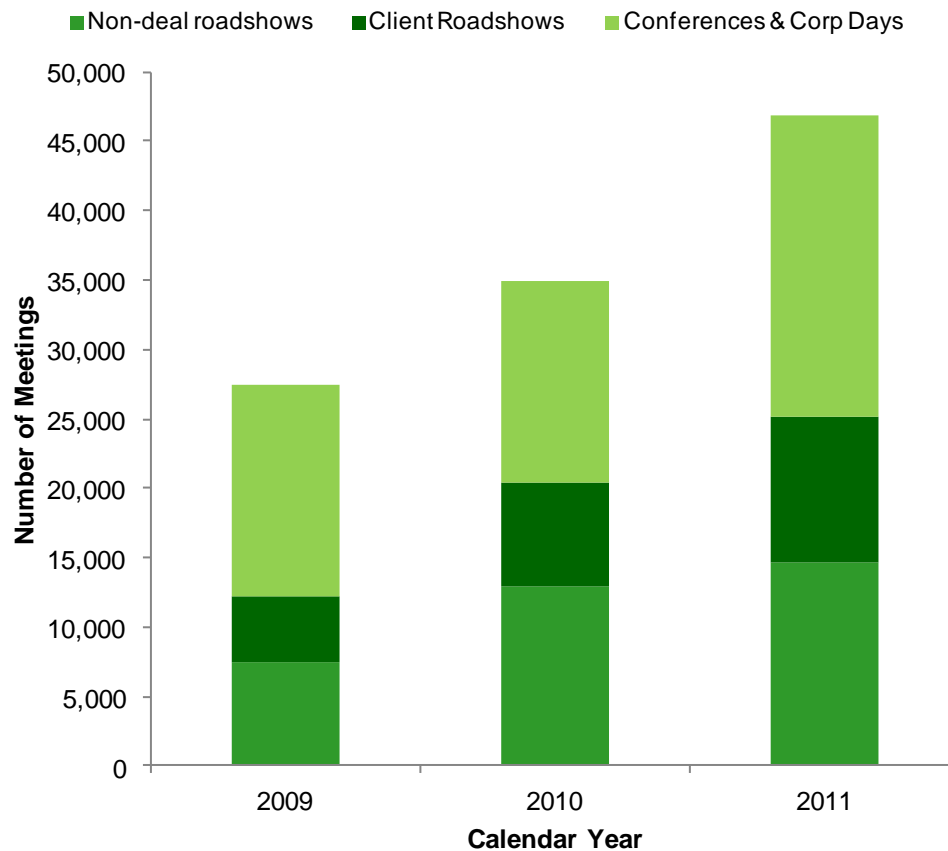


Going forward Corporate Access

2011 Statistics

- **74** conferences
- **1,600** non deal Roadshows
- **740** client Roadshows
- Arranged close to **47,000** corporate meetings worldwide

Corporate Meetings



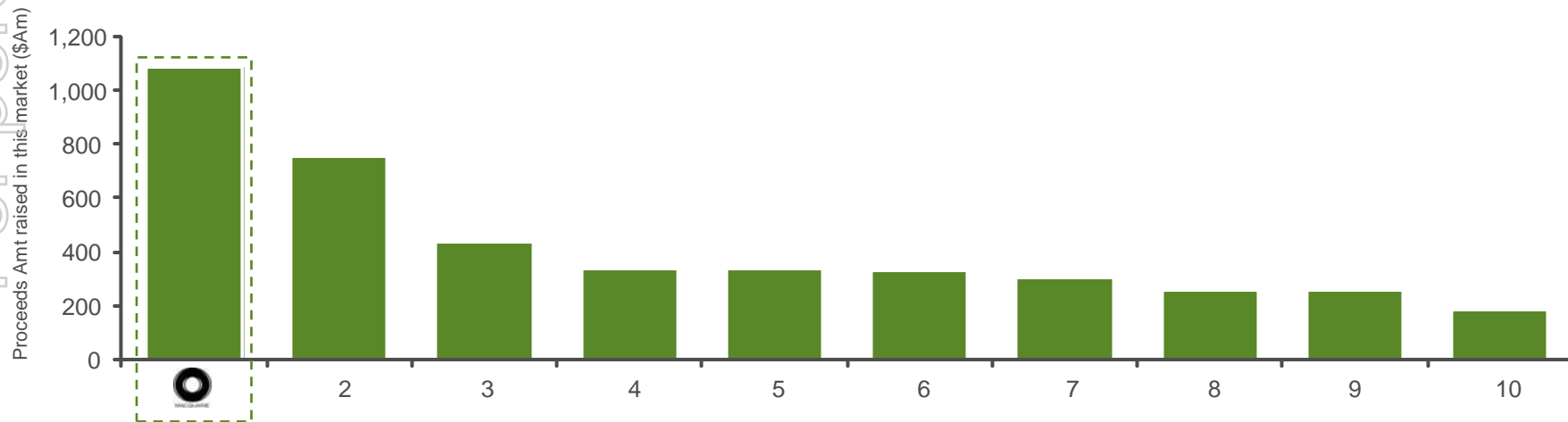


Going forward

ECM - How are we positioned

- Asian ECM business focussed on Hong Kong / China and in particular IPOs
- Full-service coverage in Australia
- Natural resources focussed business in Canada – the leading capital market globally for natural resources
- Growing presence in the US and Europe

No.1 in Terms of Australian ECM – Dec 11 qtr¹





Going forward

ECM - How are we positioned

Thomson Reuters 2011 Rankings

No.2 (up from No.7 in 2010)
Australia Equity & Equity Related

No.15 (up from No.36 in 2010)
US Equity & Equity Related

No.18 (from no previous ranking)
US IPOs

Lead Manager on US top issue of 2011
Australia Equity & Equity Related

No.16 (up from No.18 in 2010)
Global Common Stock

Bloomberg 2011 Rankings

No.2 (up from No.6 in 2010)
Australia Equity, Equity Linked & Preferred

No.15 (up from No.27 in 2010)
US Equity & Equity Linked

No.12 (No.11 in 2010)
Canada Equity, Equity Linked & Preferred

No.17 (up from No.18 in 2010)
Canada IPOs

No.17 (No.16 in 2010)
Asia-Pacific Equity, Equity Linked & Rights

No.18 (No.19 in 2010)
Global Equity, Equity Linked & Rights



In summary

- Combination of cyclical and structural factors are impacting global equity markets. We have implemented actions to address structural factors and manage cyclical impacts
- Clear strategy going forward
 - Cash Equities consolidation of existing investments
 - Derivatives restructured to address structural change
 - ECM focussed on key markets and sectors
- A cyclical return to more normal markets will benefit MSG through
 - Increased equity volumes driven by a return of investor confidence
 - Improvement in ECM activity as corporate confidence returns
 - Ability to further monetise existing strong research position as recognised through client votes
 - Improved warrants volumes, particularly in Asia, where we have leading market share in listed products
- Operating expenses to continue to reduce in line with market conditions
- Our 25+ years of knowledge and experience in Asia-Pacific and our key strengths in infrastructure, resources, energy and commodities have us well positioned



Corporate and Asset Finance Group

Garry Farrell
Group Head

Macquarie Group Limited

Operational Briefing

7 February 2012 – Presentation to Investors and Analysts



CAF at a glance



Providing tailored finance and asset management solutions to clients across specialised assets through the cycles

CAF's strategic focus

Sizeable markets

- Deep markets present niche opportunities for growth
- Building scalable platforms
- Organic and selective acquisitive growth

Stable earnings

- Annuity-style income streams
- Leases typically not prepayable
- Some loans not prepayable

CAF Focus

Appropriate return on capital

- Relatively low cost-to-income ratio
- Specialised service, expertise and long established client and partner relationships provide satisfactory ROE

Attractive assets

- Focus on specialised assets with deep order books, long lead times and large customer base
- Marketable: Deep secondary markets ensure liquidity and residual value realisation
- Financeable: Ability to raise non-recourse funding through the cycle

CAF: Key changes since 2010

Lending

- Diversified by geography and industry
- Industries: TMET, Real Estate, Financials, Industrials, Infrastructure and Leasing
- Locations: London, New York, Chicago, Sydney, Singapore
- ~70 lending professionals globally
- Portfolio at Dec 11 \$A8.5b (Dec 09 \$A6.7b)

Mining Equipment

- Recently established
- Finance range of mining equipment assets for above ground (e.g. dump trucks, excavators, diggers) and below ground
- Strong pipeline of opportunities
- Complements Macquarie's capabilities in resources M&A and commodity hedging

Motor Vehicles

- Expanded presence in consumer finance sector (acquired Ford Credit and GMAC)
- Leading provider of white-label finance programs for auto manufacturers in Australia
- Entered dealer floorplan finance market
- Exploring offshore growth opportunities
- Portfolio at Dec 11 \$A6.1b (Dec 09 \$A5.0b)

Transport

- Aircraft: consolidated within CAF April 11 post acquisition of Macquarie AirFinance Nov 10
- Rail: \$US457m of assets and growing
- Engines: non-core, sales in progress
- Portfolio at Dec 11 \$A4.1b (Dec 09 \$A0.5b)

Equipment Finance

- Expanded vendor and channel offering
- Extended into Distribution Finance in 2011 - adding more services through the value chain
- Portfolio at Dec 11 \$A1.7b (Dec 09 \$A1.5b)

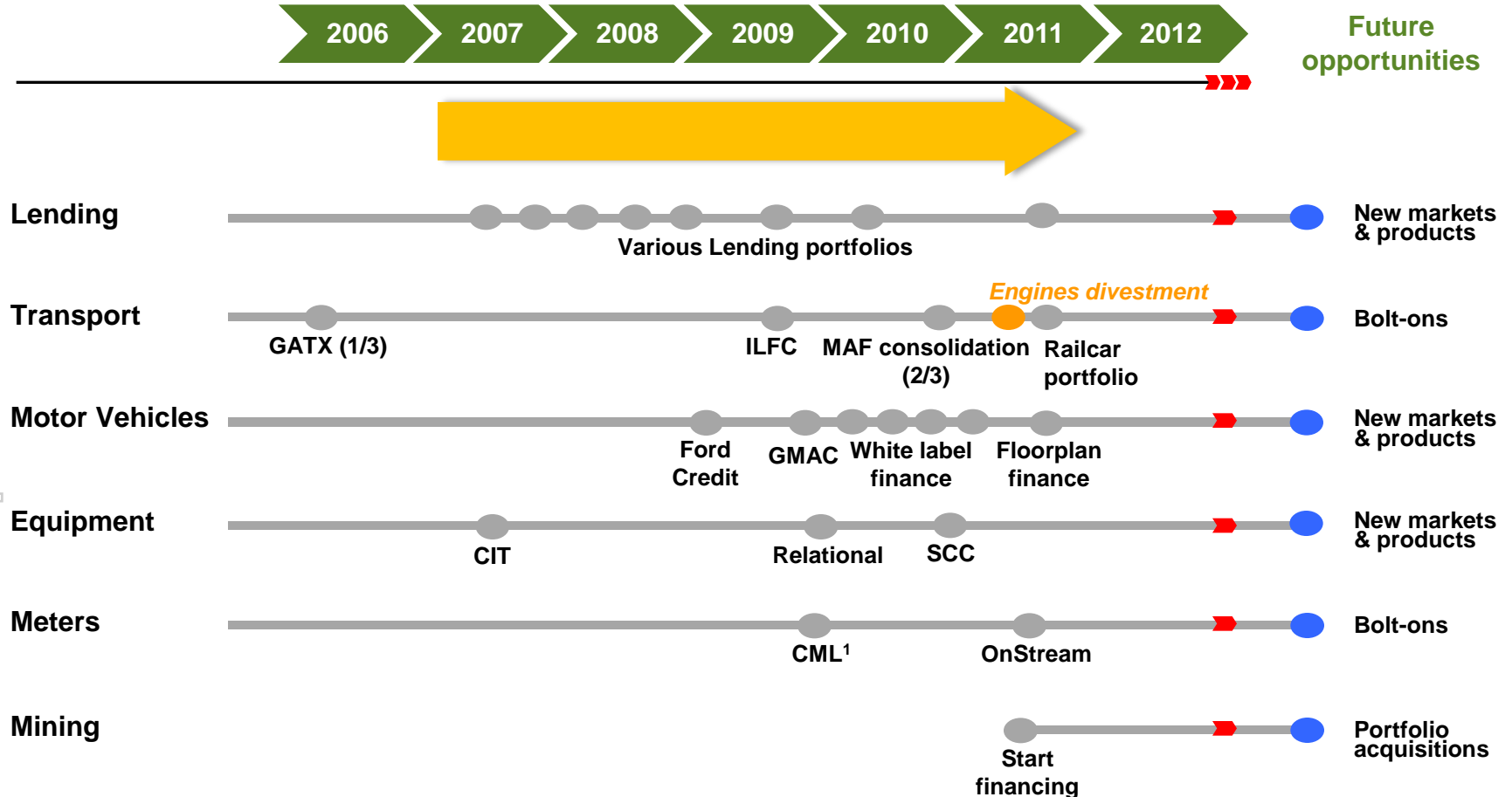
Meters

- £274m acquisition of OnStream Oct 11 (~x3 portfolio)
- 5.7m meters leased to major UK gas and electricity retailers
- Portfolio at Dec 11 \$A650m (Dec 09 \$A158m)

CAF
Niche positions in
deep, attractive
markets

Ability to adapt to changing market conditions

Selective focus on accretive acquisitions resulting in significant profit growth



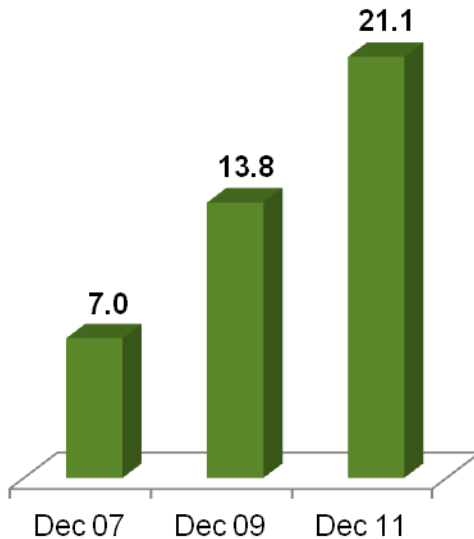
1. Buy out of CML's minority stake.

Track record of growth

Track record of growing profitably in cyclical markets

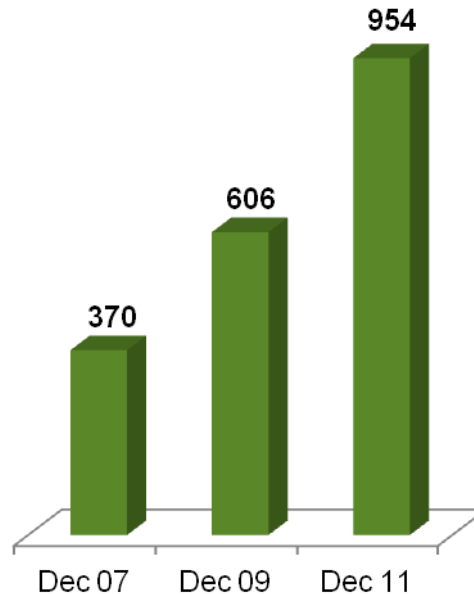
 ~53% since Dec 09
Consistent origination and growth

Assets (\$Ab)



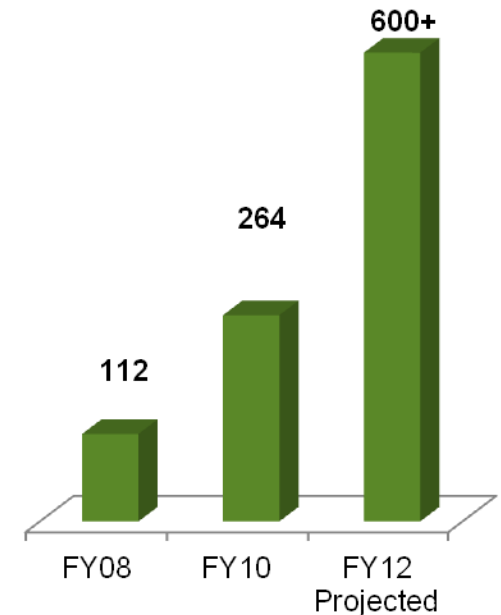
Established hubs
with functionality and support

Headcount



 ~45%
Growth on 1H11

Net profit contribution¹ (\$Am)



1. Operating income represents revenues less those expenses directly attributable to the revenues. Net Profit Contribution is operating income less operating expenses and is reported before profit share and income tax.

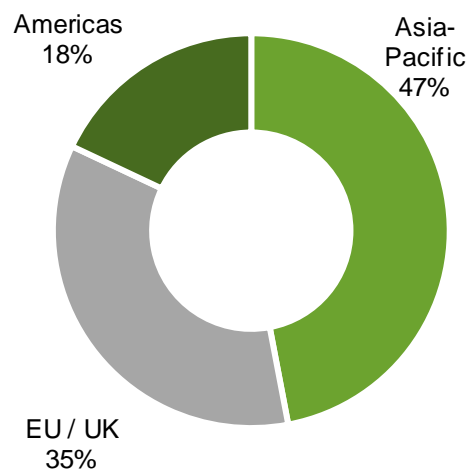


CAF's diversified portfolio

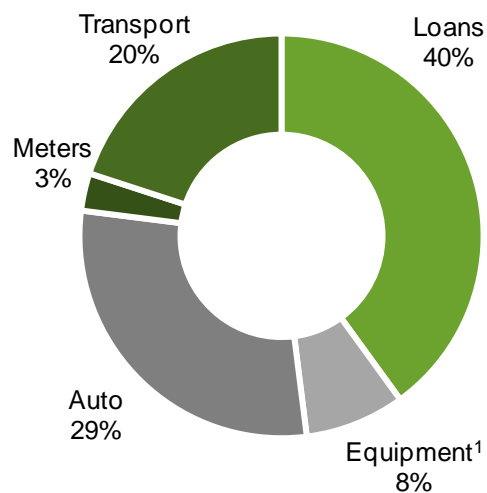
Portfolio of \$A21.1b

Diversified by geography, assets, industries, product types, exposure and clients

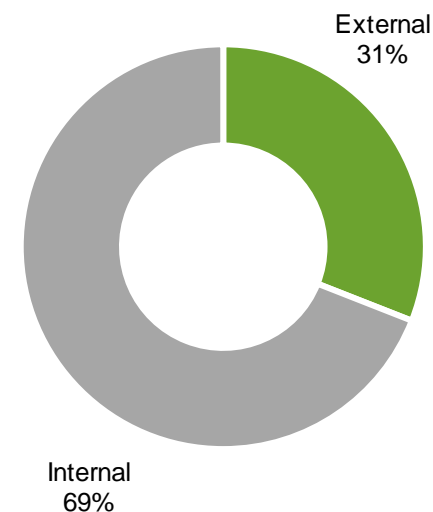
By geography



By assets



By funding source



1. Data as at 31 Dec 11. 1. Equipment includes IT&T, manufacturing, medical and materials handling assets.

External funding programs

Diversification of external funding, including non recourse debt, warehouses and securitisation

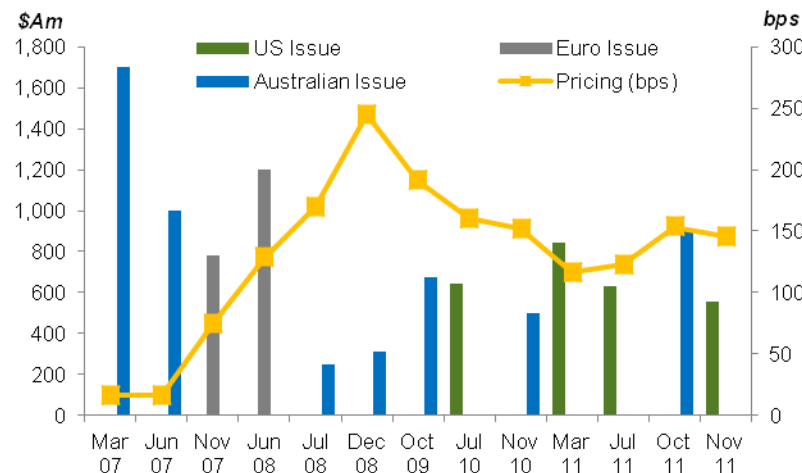
Securitisation programs

Continued access to securitisation market through the cycle - reduced reliance on MBL funding

- Highly attractive collateral: financeable assets meeting broad investor demand
- Recognised issuer in the securitisation market with two ABS programs
- SMART: a long established term issuance platform with international presence
 - SMART 2010-1 US: First ever Australian auto issuer in the US
 - Last three issues (2 x US and 1 x Australia) upsized due to significant investor demand
- MEF: new platform established in 2011

	SMART	MEF
Collateral	Australian auto and equipment	US equipment leases
Established	2002	2011
Issuance to date	\$A10.0b	\$US0.3b
Recent issuance	<ul style="list-style-type: none"> ▪ \$A842m, Mar 11 ▪ \$A633m, Jul 11 ▪ \$A900m, Oct 11 ▪ \$A553m, Nov 11 	<ul style="list-style-type: none"> ▪ \$US341m Mar 11

SMART ISSUANCE



Recognition – SMART 2011-3 Awards

- AsiaMoney Best Securitisation deal in the "Deal and Investment Bank Awards - Australia" category
- Insto ABS deal of the year award
- The Asset AAA Regional Awards - Best Australian Securitisation Deal

ASIAMONEY

Maintain strong credit and asset discipline

Strong credit discipline

Low levels of historical credit losses relative to growth and despite market conditions

- High level of Risk Management Group oversight and reporting across CAF
- Experienced executives and strong underwriting processes
- Strict and regular monitoring of clients leads to active portfolio management and credit loss mitigation
- Conservative provisioning practices

Strong asset discipline

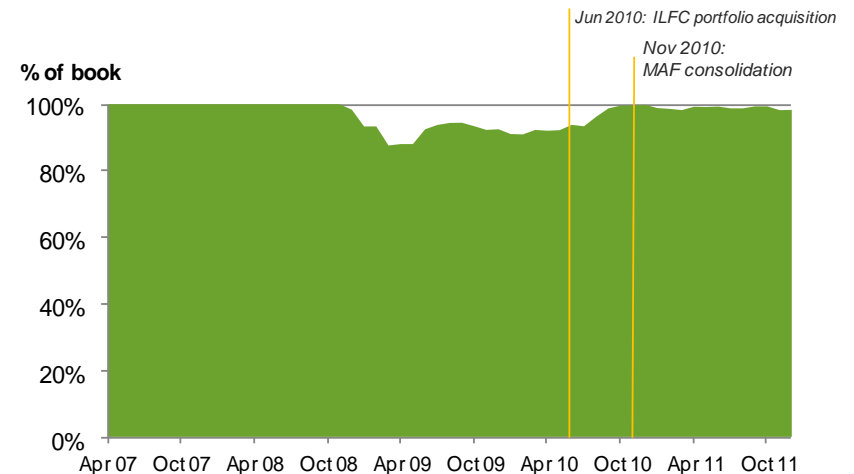
Continued high levels of utilisation and strong end of lease profitability

- High utilisation rates across transport assets
- Close monitoring of portfolio, clients and pricing conditions optimise utilisation rates as market conditions change
- Strong and consistent inertia income for technology assets
- Maximise residual value capture via established global sales channels, logistics management expertise and contracted third-party remarketing arrangements

Write offs



Asset discipline example: Transport asset utilisation



1. Leasing includes Motor Vehicles and Equipment businesses.

Lending

Business and strategy

- Loan portfolio originated through primary and secondary channels via dedicated teams
- Focus on senior secured
- Supporting domestic and international clients
- Diverse range of industries:
 - TMET, Real Estate, Financials, Industrials, Infrastructure and Leasing
- Loans acquired on a hold-to-maturity basis
- Current portfolio weighting is towards:
 - Senior secured loans (predominantly non-investment grade)
 - Cashflow lending, with a minority of asset-based lending
 - Maturity of between 3 and 5 years, with some loans up to 7 years
 - Loans in Australia, North America, UK and Western Europe



Portfolio

- Dec 09: Loan portfolio size of \$A6.7b
- Dec 11: Loan portfolio size of \$A8.5b

Risk management framework

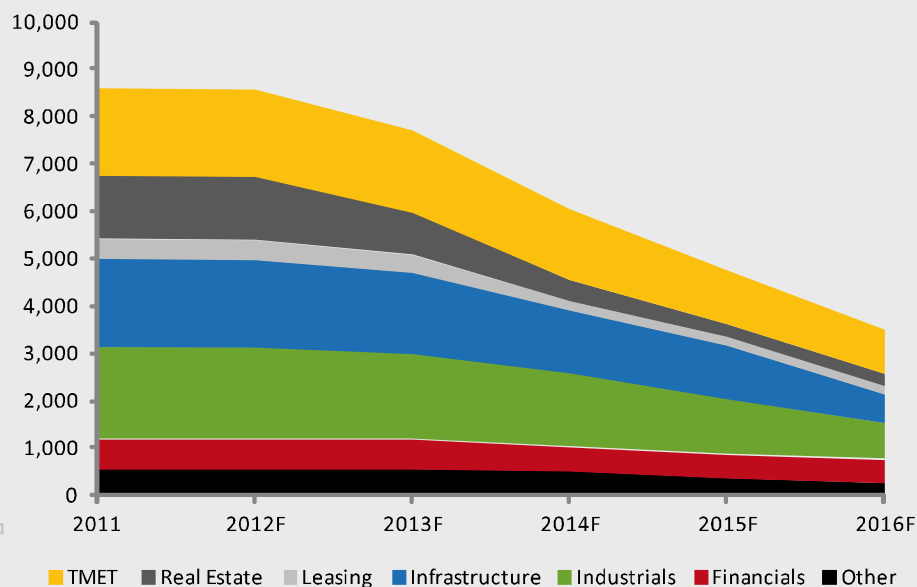
- Focus on ensuring return for each loan adequately covers risk and we recover our principal in the face of highly stressed situations
- Ongoing monitoring of positions by RMG and CAF:
 - Framework of regular reviews across all loans
 - Heightened monitoring for problem or high risk loans



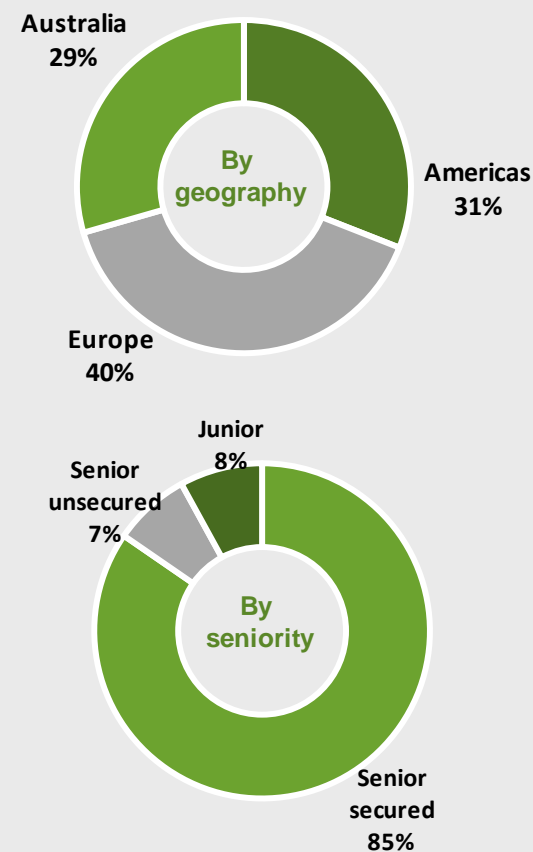
Lending Total portfolio

Total portfolio of \$A8.5b

Contractual run off by industry



Portfolio



Business and Strategy

- Leading lessor of commercial aircraft worldwide with 134 aircraft on lease to 67 airlines in 42 countries
- Predominantly current and widely used narrowbodies with weighted average age ~7 years
- Growing lessor of freight railcars in North America with 10,000 cars
- Actively manage leases and acquire attractively priced assets through industry cycle
- Selectively realise gains through asset sales as opportunities arise



Portfolio

- Dec 09: portfolio size of \$A0.5b¹
- Dec 11: portfolio size of \$A4.1b

Market

Aircraft

- Aircraft leasing yields remain satisfactory, but effect of economic uncertainty on industry justifies a cautious outlook
- Long backlog for new build aircraft generating significant financing requirement and potential future opportunities

Rail

- Competitive market, with assets owned by lessors, shippers and railroads
- Improving leasing market after the downturn in 2009/10

Initiatives

- Ongoing aircraft asset and asset-backed loan acquisition opportunities as existing players (including European banks) exit and re-weight portfolios
- Recently sold engine leasing business to focus on core asset classes with scale
- Rail recently acquired a portfolio from a lender foreclosure

Extending finance through the customer value chain

Business and Strategy

- Leading provider of auto finance in Australia
- Indirect and direct origination of auto leases / loans for SMEs and consumers clients
- Strong IT systems enable market-leading service levels and collections efficiency
- Diversification of funding and focus on costs
- Organic growth across all sectors of business
- Opportunistic purchases in Australia and internationally



Portfolio

- Dec 09: portfolio size of \$A5.0b
- Dec11: portfolio size of \$A6.1b

Market

- Competitive market with domestic banks, original equipment manufacturer (OEM) captives (Toyota, Nissan) and foreign players
- Demand and credit performance have been resilient in recent years

Initiatives

- Over past two years has become a leading provider of white-label finance programs for OEMs / auto manufacturers in Australia
- Entered dealer floorplan finance market to enhance offering and improve origination of direct retail volumes
- Exploring offshore growth opportunities

myFord Finance



Honda
Financial Services



Volvo Car
Financial Services



Chrysler Group FINANCIAL

Equipment Finance

Extending finance through the customer value chain

Business and Strategy

- Combined Equipment Finance and Manufacturing Finance into single global business unit - Macquarie Equipment Finance
- Leading provider of operating leases, asset management and trading of equipment for equipment vendors and end user customers
- Financing provided over a broad range of equipment types, including healthcare, technology, communications, materials handling, manufacturing and related equipment
- Targeting major equipment vendors and customers with multinational or customised requirements



Market

- Volumes still recovering in most regions as customers slow purchases due to economic uncertainty
- Withdrawal or material reduction from market of a number of major European finance providers is expected to create opportunity
- Customers and vendors are seeking a reliable financing partner who can provide services across a range of products and geographies in a uniform way

Initiatives

- Substantially expanded vendor and channel business offering and focus
 - Currently operating as Dell Financial Services (DFS) in India and Australia
 - Operating as Fujitsu Financial Services in Europe, Australia, New Zealand and US
- Expanded into Distribution Finance and US small ticket markets in 2011 to add more services through the value chain for equipment vendors
- Standardising business systems and processes globally

Portfolio

- Dec 09: portfolio size of \$A1.5 billion
- Dec 11: portfolio size of \$A1.7 billion



Maximising market opportunities

Case study: Meters acquisition

Adjacency

2003

- 2003: Market entry through Capital Meters Limited - transaction originated and structured by Macquarie Capital
- Contract to install, service and lease electricity and gas meters in UK
- Adjacent leasing and energy expertise



Build

2003 – 2011

- 2006: Entered smart meter market
- 2010: Bought-out minority shareholding in Capital Meters Limited
- Tight focus on cost control and maximising return

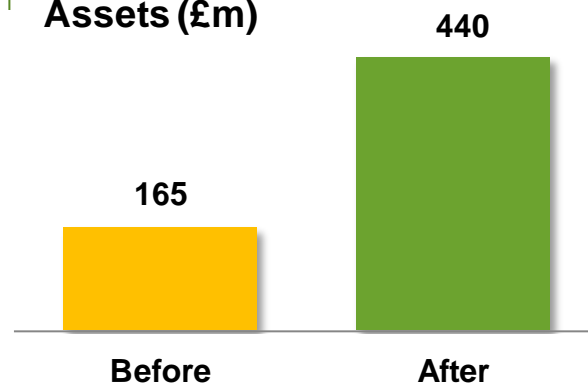


Opportunity

October 2011

- Transformational acquisition
- Acquired OnStream for £274m gaining 4.2m meters
- Material increase in scale and profitability – approx. 3 x increase in meters portfolio to total of approx. 5.7m meters

Assets (£m)



Adapting to market conditions

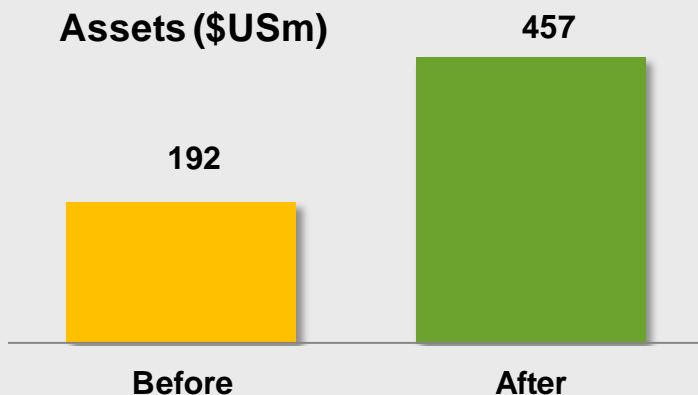
Case study: Rail acquisition

Doubled CAF's rail portfolio

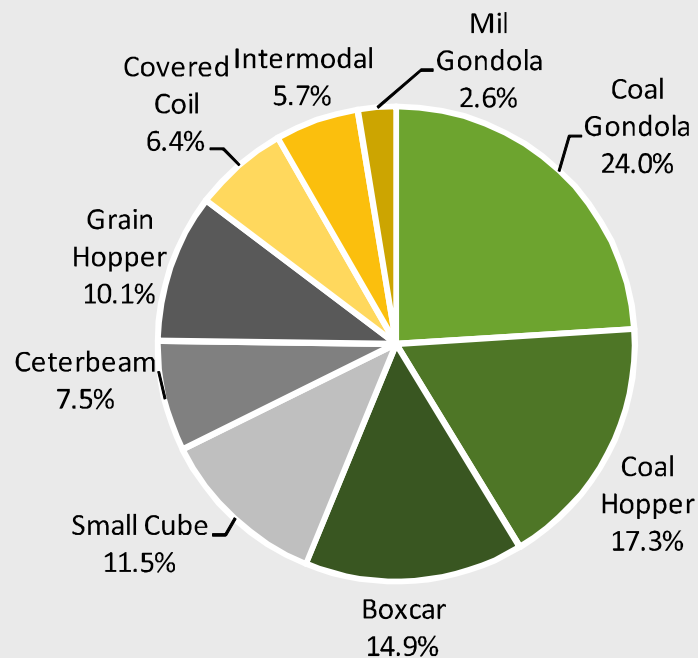
Transport's railcar business

- Operating in North America since 2005
- Leases diverse range of freight railcars
- Portfolio acquisition of North American rail freight cars
- Acquired portfolio of approx. 4,600 general service rail cars on lease to 35 operators in US and Canada
- Doubles size of CAF's rail portfolio
- Total assets approx. \$US457m

Assets (\$USm)



Acquired portfolio



Operational efficiency initiatives

Cost management and returns focused

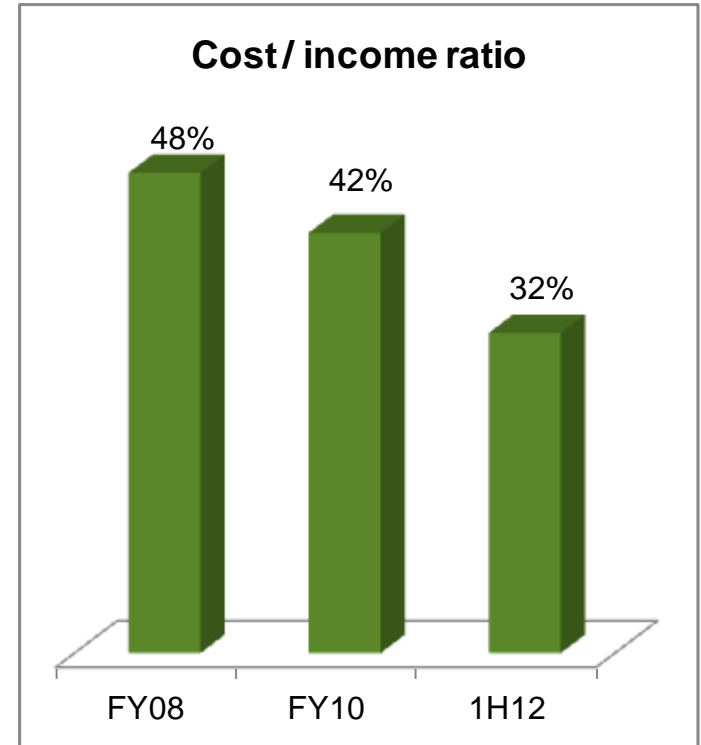
Platform efficiencies

- **Combine platforms:** Equipment Finance and Manufacturing Finance combined into single global business unit with multiple sales teams and shared platforms to reduce duplication, centralise management / direction and reduce operating costs
- **Exit non-core business:** Engine leasing sale announced September 2011

System efficiencies

- **Improved functionality:** New loans / lending IT system has measurably reduced operational risk, improved reporting / accounting functionality and reduced number of manual reconciliations
- **Systems platform:** Global project underway to implement a standard leasing system / platform across all operating lease platforms to generate scale / economies for organic growth and growth through acquisitions

Cost/ income ratio





In summary

Providing tailored finance and asset management solutions to clients across specialised assets through the cycles

Niche positions in deep, attractive markets

Origination through the cycles

Strong credit and asset discipline

Strong funder and investor demand for assets

Cost management and returns focus

Successfully converted opportunities during cycles



Banking and Financial Services Group

Peter Maher
Group Head

Macquarie Group Limited

Operational Briefing

7 February 2012 – Presentation to Investors and Analysts



Banking and Financial Services (BFS)

BFS offers integrated banking and wealth management solutions to target client segments and markets¹

	Australia / NZ focus				International focus		
	Macquarie Private Wealth (Investors)	Macquarie Adviser Services (Intermediary)	Macquarie Relationship Banking (Business)	Macquarie Global Investments (Institutions)	North America	Asia	BFS Total
AUA/A/M²	▪ \$A25b	▪ \$A55b	▪ \$A9b	▪ \$A5b	▪ \$A20b	▪ <\$A1b	\$A115b
Clients	▪ 319,500 ³	▪ 690,900 ³	▪ 25,500	▪ <~100	▪ 138,300	▪ 9,000	1.1m
Core Products	<ul style="list-style-type: none"> ▪ Full-service broking ▪ Wealth management ▪ Private Bank ▪ Strategic investments ▪ On-line trading 	<ul style="list-style-type: none"> ▪ Wrap ▪ Cash ▪ Mortgages ▪ Insurance ▪ COIN 	<ul style="list-style-type: none"> ▪ Business deposits ▪ Business loans ▪ Premium funding 	<ul style="list-style-type: none"> ▪ Investment lending ▪ Structured product ▪ Agriculture funds ▪ Funds management 	<ul style="list-style-type: none"> ▪ Full-service broking ▪ Wealth management ▪ Premium funding 	<ul style="list-style-type: none"> ▪ Religare Macquarie Private Wealth 	

1. Data as at 31 Dec 11. 2. Assets under administration includes assets under management plus items such as funds on BFS platforms (e.g. Wrap), total BFS loan and deposit portfolios, CHESS holdings of BFS clients, and funds under advice (e.g. Macquarie Private Bank). 3. Approx. 80,000 clients have both MPW and MAS relationships.

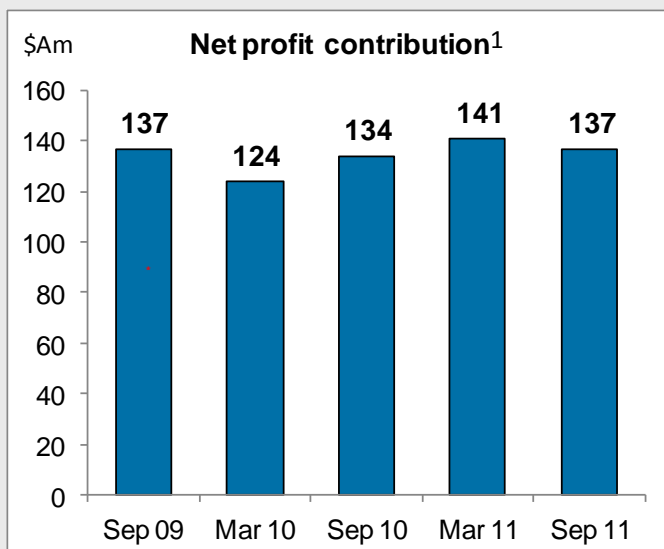


BFS core products

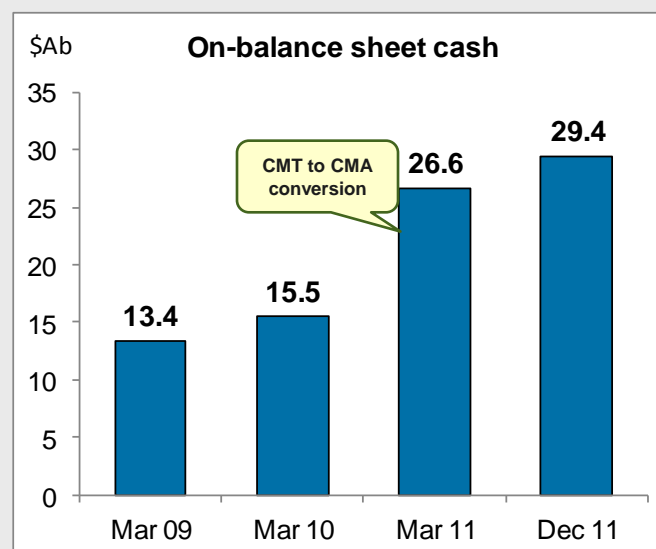
	Wrap	Cash	Full-service broking	Relationship banking	Mortgages
Holdings	FUA \$A20.9b	Total retail and business deposits of \$A30.7b	Macquarie Private Wealth remains No.1 retail full-service stockbroker in terms of volumes and market share	Strong growth in deposits to \$A5.9b	Australian mortgage portfolio \$A10.6b down 11% on pcp
Innovations	Perpetual white-label agreement announced Oct 11	Cash Management Account launched in Nov 08 now at \$A16.6b (Dec 11)	Continue to attract quality advisers from competitors	New SME businesses brought on as new to bank clients up 18% on 2010	Equity holding Vow Financial - one of the top five mortgage aggregators in Australia
Core business	Increased functionality and fee structures through Consolidator	CMA used by more than 10,000 advisers and 500,000 clients	More than 600 advisers (incl.MPW Canada)	Insurance Premium Funding \$A390m	Launched an enhanced mortgages offering to new Australian clients

- **BFS has delivered earnings stability and significant funding to Macquarie**

Consistent profits through the GFC



\$A29.4b retail on-balance sheet cash



1. Operating income represents revenues less those expenses directly attributable to the revenues. Net Profit Contribution is operating income less operating expenses and is reported before profit share and income tax.

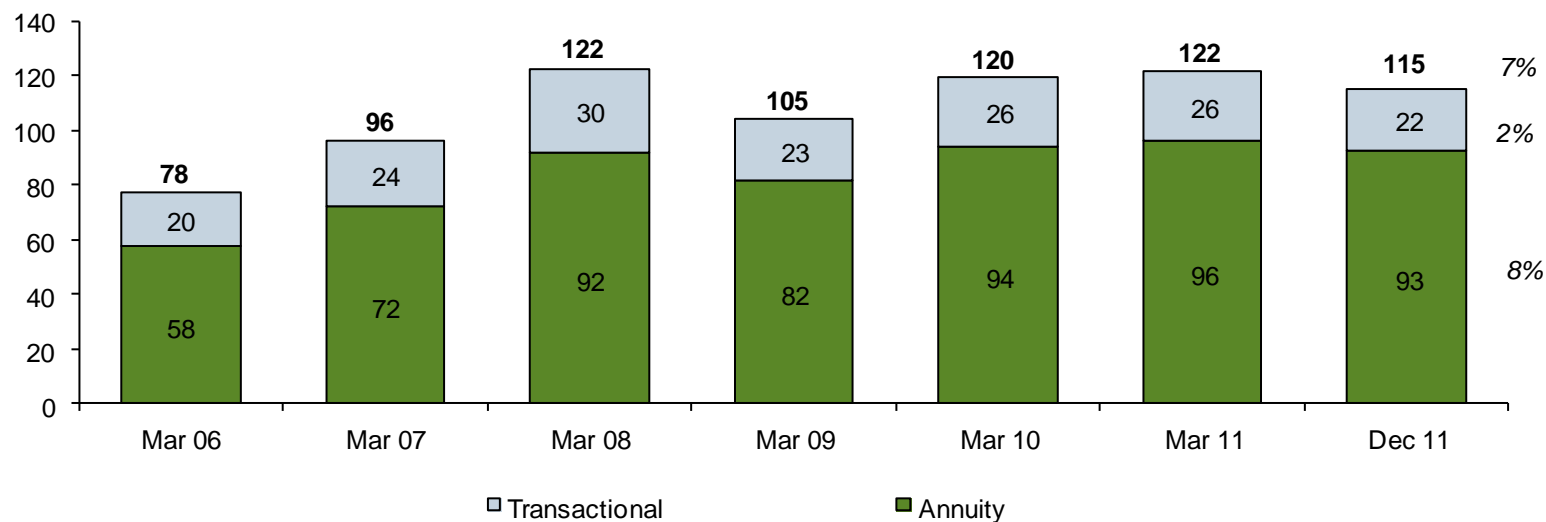


Our assets under advice/administration/management

- **Changes to BFS clients' investment mix across equities, funds, and cash has limited impact on AUA - providing earnings stability**

FUM/AUM/AUA (Annuity & Trading)
\$Ab

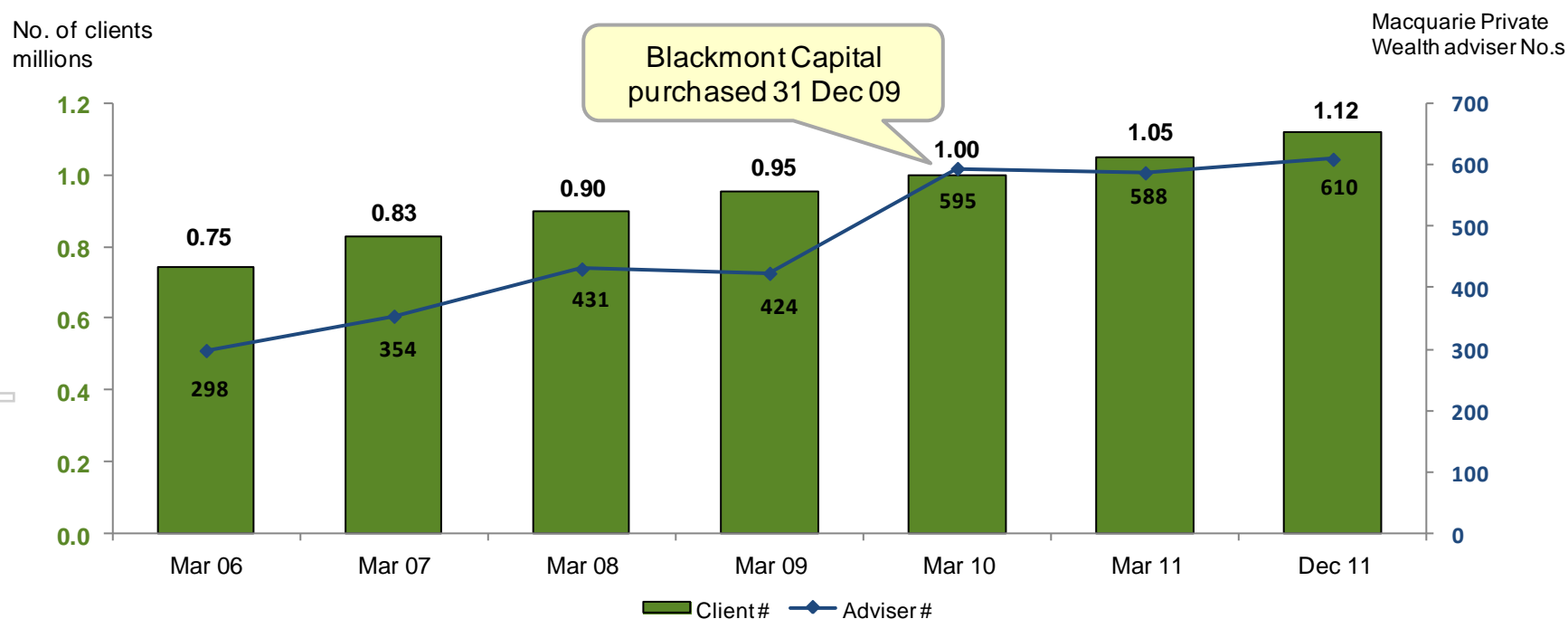
CAGR





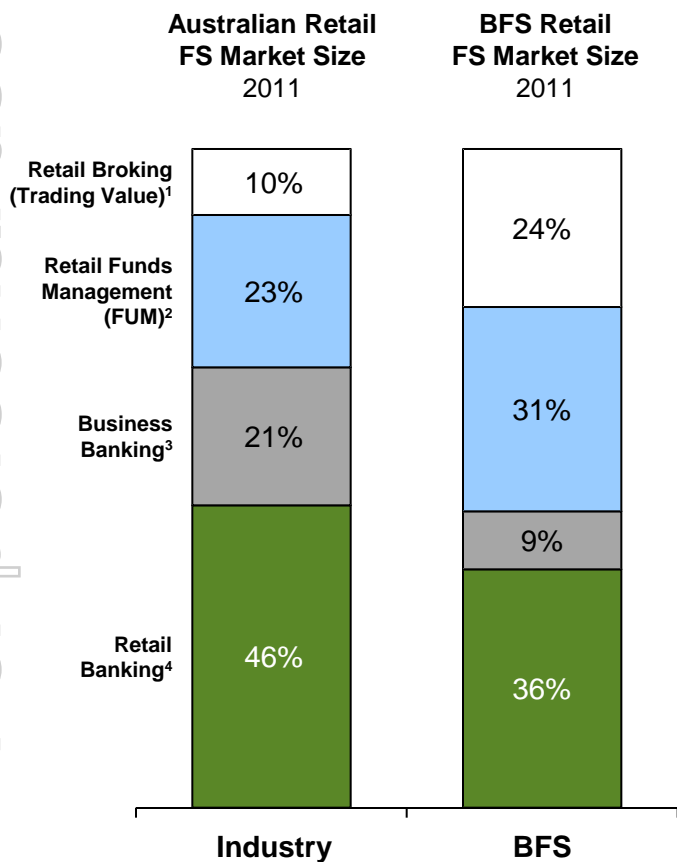
Our clients and advisers

- **BFS has 1.1m predominantly high net worth clients serviced by a network of 610 Macquarie client advisers**



BFS market growth

BFS business mix is different to Big 4

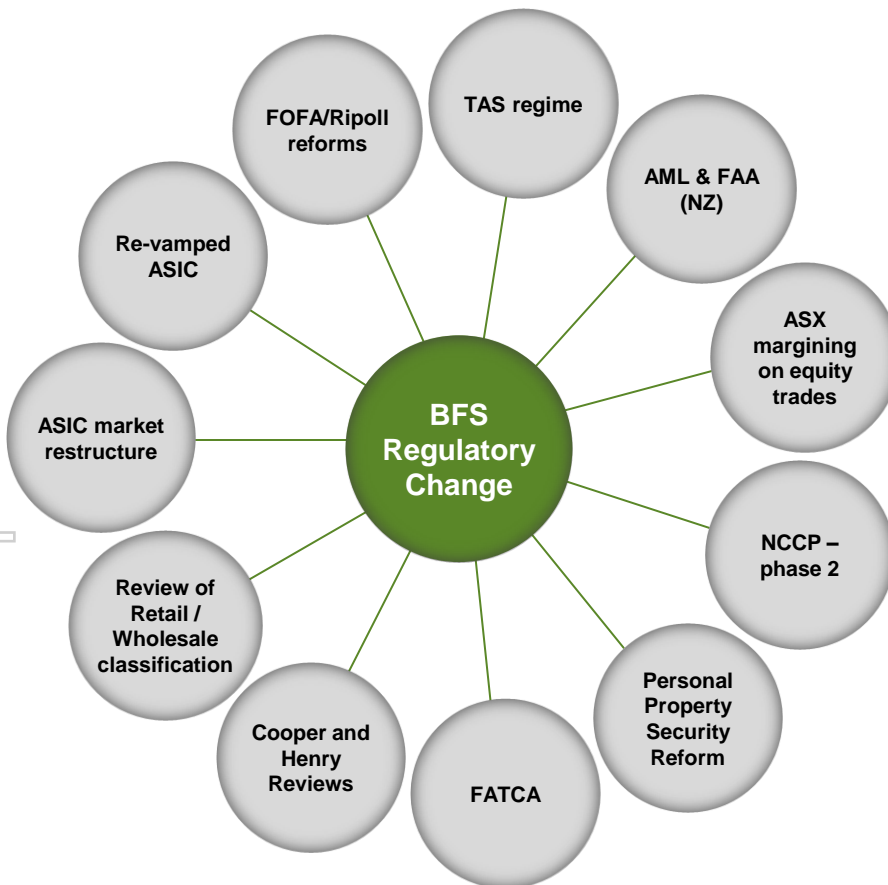


Market	2008-11 CAGR	2012-14 CAGR	Forecast change in growth
Retail Broking	-13%	+3-4%	↑
Retail Funds	-1%	+8-10%	↑
Business Banking	+5%	+4-5%	—
Retail Banking	+8%	+5-6%	↓

1. MPW Estimates Jun 08 and Jun 11. 2. DEXX&R - The Australian Financial Services Industry Market Projections Report (15th Edition - Half Yearly Update - May 2011), Dec 07 and Dec 10. 3. APRA Monthly Report - Table 2: Loan Outstanding: Housing - Owner Occupied, Housing Investment, Credit Cards, Housing - Other and Table 4: Deposits from households - Jun 08 and Jun 11. 4. APRA Monthly Report - Table 2: Loans Outstanding: Non Financial Institutions and Table 4: Deposits from non-financial corporations - Jun 08 and Jun 11.

Regulatory Change

- **BFS has co-ordinated all resources to comply with pending regulatory changes and is well positioned to respond to new business opportunities**



- Increased market size (Compulsory super 9% to 12%)
- Increased compliance obligations
- Increased capital requirements
- Market consolidation



Service – A key differentiator for BFS

- Innovation and service are critical investment priorities for BFS



Macquarie Professional Series

Awarded fourth consecutive S&P Fund Manager of the Year award for Global Equities Developed Markets category for the Independent Franchise Partners fund



Macquarie Private Wealth - Canada

No.1 National Independent Canadian Advisory Firm and
No.3 of all investment advisory firms in Canada



Macquarie Wrap

Ranked top Australian platform in the prestigious
Wealth Insights 2011 Platforms Service Level Report

Macquarie Life Active

Awarded the Canstar CANNEX Innovation
Excellence Award for Financial Services



Macquarie Mortgages

Named Money Magazine 2012 Best of the Best Awards'
'Cheapest flexible home loan' for the Classic P&I home loan



Strategic Themes

1. Growth
2. Efficiency
3. Capital Management



1. Growth

Investing today for future growth remains a priority for BFS

Key initiatives include:

MPW Canada (Blackmont Capital) – adviser / FuM growth

Wrap – Perpetual white-label agreement

Virtual Adviser Network (VAN) – aggregation of non-aligned IFAs

Macquarie Mortgages Australia – re-launched new loans in 2011

Macquarie Life – \$A118m in-force premiums

Macquarie Pastoral – 3.6m hectares / 176,000 sheep / 227,000 cattle

Macquarie Practice Consulting – insight client / industry needs



Growth – MPW Canada

MPW Canada (Blackmont Capital) was acquired on 31 Dec 09 establishing BFS as the one of the leading independent retail brokers in the Canadian market

MPW Canada	31 Dec 09	31 Dec 11	Change
Adviser Numbers	135	204	51%
Client Numbers ('000)	44 ¹	66	50%
Assets under Administration (AUA)	\$C7.9b	\$C11.3b	43%
Fee Based Assets (%AUA)	\$C3.1b (39%)	\$C4.9b (43%)	58%
Number of Offices	13	12	(1)
Industry Service Ranking ²	11 th	1 st	Positive

1. Blackmont client numbers as at 31 Dec 09 included 18,000 inactive / dormant accounts that were subsequently terminated. 2. Investment Executive Magazine Brokerage Report Card 2011.



Growth – Wrap

Macquarie Wrap remains the dominant non-aligned Independent Financial Adviser (IFA) platform as demonstrated by the recent Perpetual agreement

Perpetual Agreement

- Australia's largest platform outsourcing deal, highlighting BFS' strong capability, functionality and service
- BFS will provide outsourced systems and administrative functions for Perpetual's \$A8.7b private wealth administration platform
- BFS was chosen to provide high net worth Wrap accounts covering both Perpetual's private client and fiduciary businesses
- BFS Wrap Platform Funds under Administration (FUA) grow to circa \$A30b
- BFS will invest in the Wrap Platform capabilities - fiduciary administration services and support a wider range of products and assets
- This investment will bring further value to existing clients and create new opportunities for the business

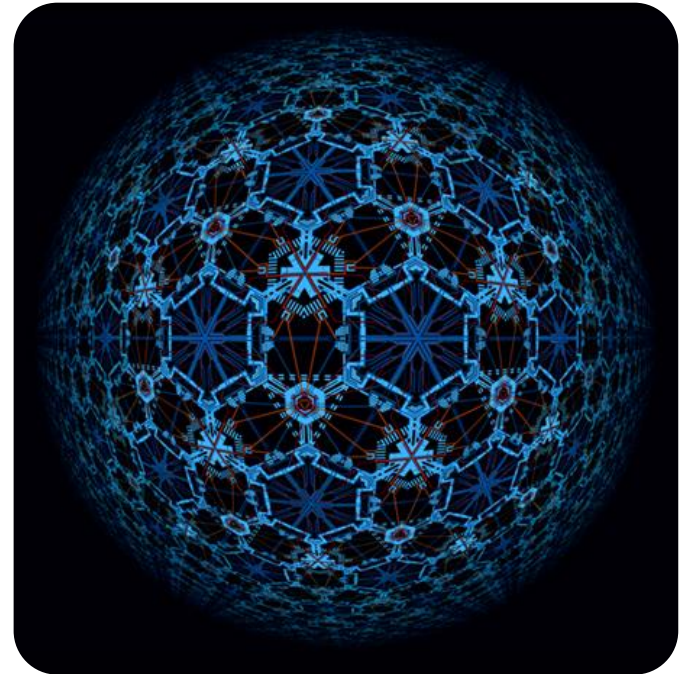


Growth – Virtual Adviser Network (VAN)

BFS launched Macquarie VAN offering boutique IFA practices an alternate business model to support growth and capitalise on FoFA changes

What does VAN offer?

- Environment to best execute an IFA's strategic roadmap:
 - Support from technical experts
 - Quality solutions to run your business
 - Strategic planning and benchmarking
 - Mentorship and educational events
- 'Pay-for-what-you-need' solutions menu tailored for each practice
- Access to Macquarie products and services



2. Efficiency

Expense reduction of \$A70m (1H12 compared to 2H11)

Expense reductions included:

- **Consolidated Online Trading** – Macquarie Prime
- **Call Centre optimisation** – efficiency across call centres
- **Process re-engineering** – cash, mortgages, and lending processes
- **Outsourcing** non-competitive activities
 - Finance – India
 - Back office processing – Mortgages Canada
 - HR Recruitment - Hudson deal
 - IT development - Manila
- **Divestment** of non-strategic businesses
 - MPW Asia – migrated to Julius Baer as part of strategic collaboration agreement





3. Capital Management

We continuously review capital returns, particularly regulatory capital, and pursue alternative portfolio mix to improve returns

Recent initiatives include:

- **OzForex** – partial equity sell down from 51% to 19.9% in 2010
- **UK Wrap** – closed Mar 11
- **Macquarie Mortgages Canada** – outsource servicing agreement Apr 11
- **Macquarie Private Wealth (Private Bank) Asia** – Julius Baer strategic collaboration agreement Dec 11





Summary

BFS continues to provide earnings stability and funding to MQG

BFS has the appropriate business mix for either volatile or growing markets

We are well positioned to capitalise on regulatory change

BFS key focus is growth, efficiency and capital management

Our differentiated offering is full-service advice and tailored investment solutions for advisers and clients in all types of markets



Operational Efficiencies

Greg Ward, Deputy Managing Director

Macquarie Group Limited

Operational Briefing

7 February 2012 – Presentation to Investors and Analysts



Key messages

Cost management programme continues to deliver cost reduction efficiencies across groups

**Shared services achieving scale efficiencies and lowering support costs.
Initiatives expected to generate savings of approx. 15% by end FY13 as compared to FY11**

**Continuing to focus on capital market facing businesses – MSG and Macquarie Capital
expected to achieve savings of 20-25% by end FY13 as compared to FY11**

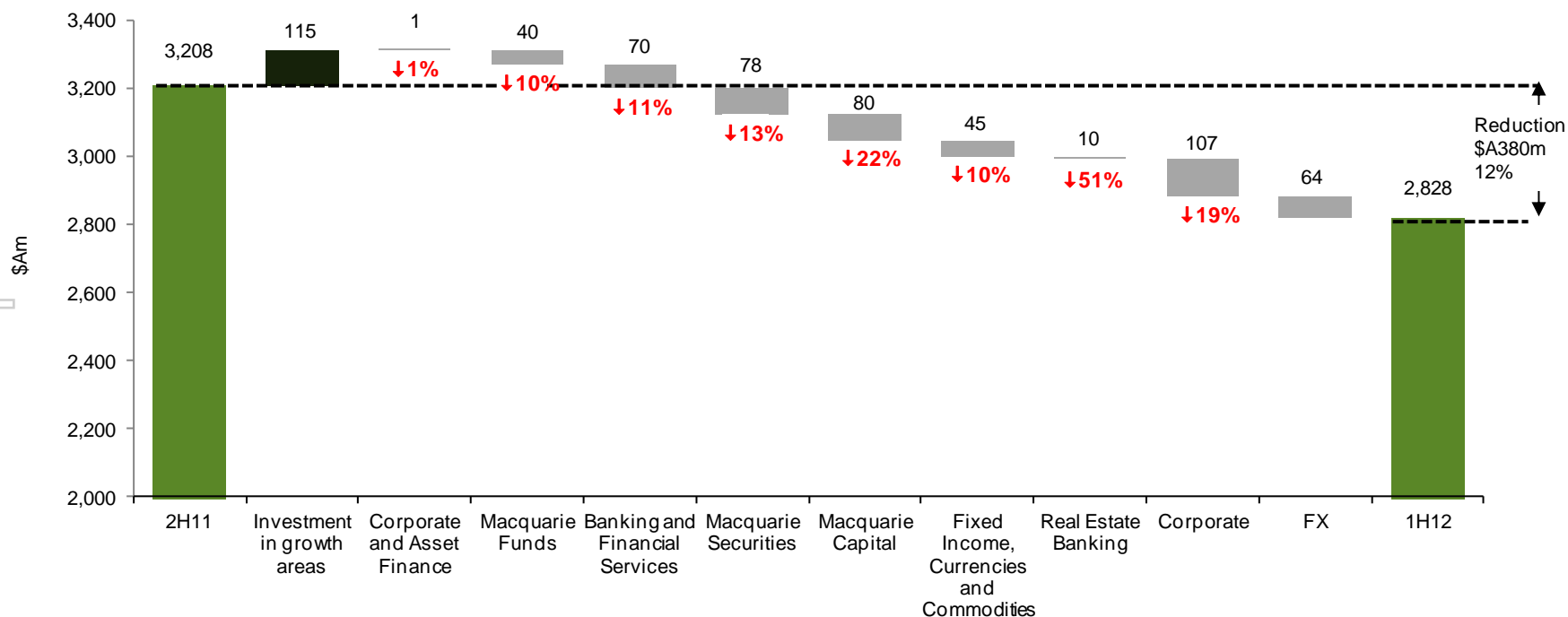
Strong governance structure to drive and monitor these initiatives



Cost Performance

Recap of 1st half performance

- 1H12 operating costs \$A2.8b, down \$A0.4b on 2H11
 - Achieved through a range of initiatives including exiting unprofitable businesses, creating scalable platforms, reducing complexity, redesigning business and operating models and increasing the effective use of offshore locations
 - Savings will enable investment in growth areas which include key markets, new products, processes and technologies as well as other inflationary cost pressures
 - Lower compensation expense due to a number of factors including lower profit share





Cost Performance Drivers

Recap of 1st half drivers

	<i>Investment in growth areas</i>	<i>1H12</i>	<i>Cost saving initiatives</i>	<i>1H12</i>
CAF	<ul style="list-style-type: none"> New businesses - Macquarie Distribution Finance, Global Mining Equipment, Wholesale Floorplan Financing 	\$A9m	<ul style="list-style-type: none"> Exiting engine leasing business Global lease platform rollout 	\$A1m
MFG	<ul style="list-style-type: none"> Distribution capability in Europe and US Acquired Austrian investment management business 	\$A6m	<ul style="list-style-type: none"> Merging US fixed income onto Delaware platform Rationalised unprofitable business line 	\$A40m
BFS	<ul style="list-style-type: none"> Growth in MPW Canada Investment in Wrap platform and Mortgages relaunch 	\$A36m	<ul style="list-style-type: none"> Outsourced Canadian mortgage servicing Closure UK Wrap platform 	\$A70m
MSG	<ul style="list-style-type: none"> Core middle/back office platforms Upgrade global research and ecommerce platforms 	\$A52m	<ul style="list-style-type: none"> Market data and discretionary spend initiatives Operational/staffing efficiencies 	\$A78m
MacCap	<ul style="list-style-type: none"> Selective hiring to fill out required skill mix Enhanced business connectivity tools 	\$A6m	<ul style="list-style-type: none"> Operational/staffing efficiencies in front and back office Global support model review 	\$A80m
FICC	<ul style="list-style-type: none"> Established G10 currency and sales trading platform in Singapore Granted a Dubai branch licence 	\$A6m	<ul style="list-style-type: none"> Ceased providing Latin America fixed income products Largely completed build out of global platform including Asian Markets 	\$A45m
Corporate – fully allocated to Operating Groups	<ul style="list-style-type: none"> Corporate Data Program Investment in systems/teams to meet growing regulatory requirements Investment in platforms to continue to achieve scale growth 		<ul style="list-style-type: none"> Redesign of HR operating and recruitment model Finance transformation program Integration of trading areas' back office Continued utilisation of lower cost locations Right sizing service models to current business need IT Infrastructure savings through virtualisation and organisational restructuring Sourcing, contracting and negotiation activities 	
	Total investment in growth areas	\$A115m	Total cost saving initiatives¹	\$A314m

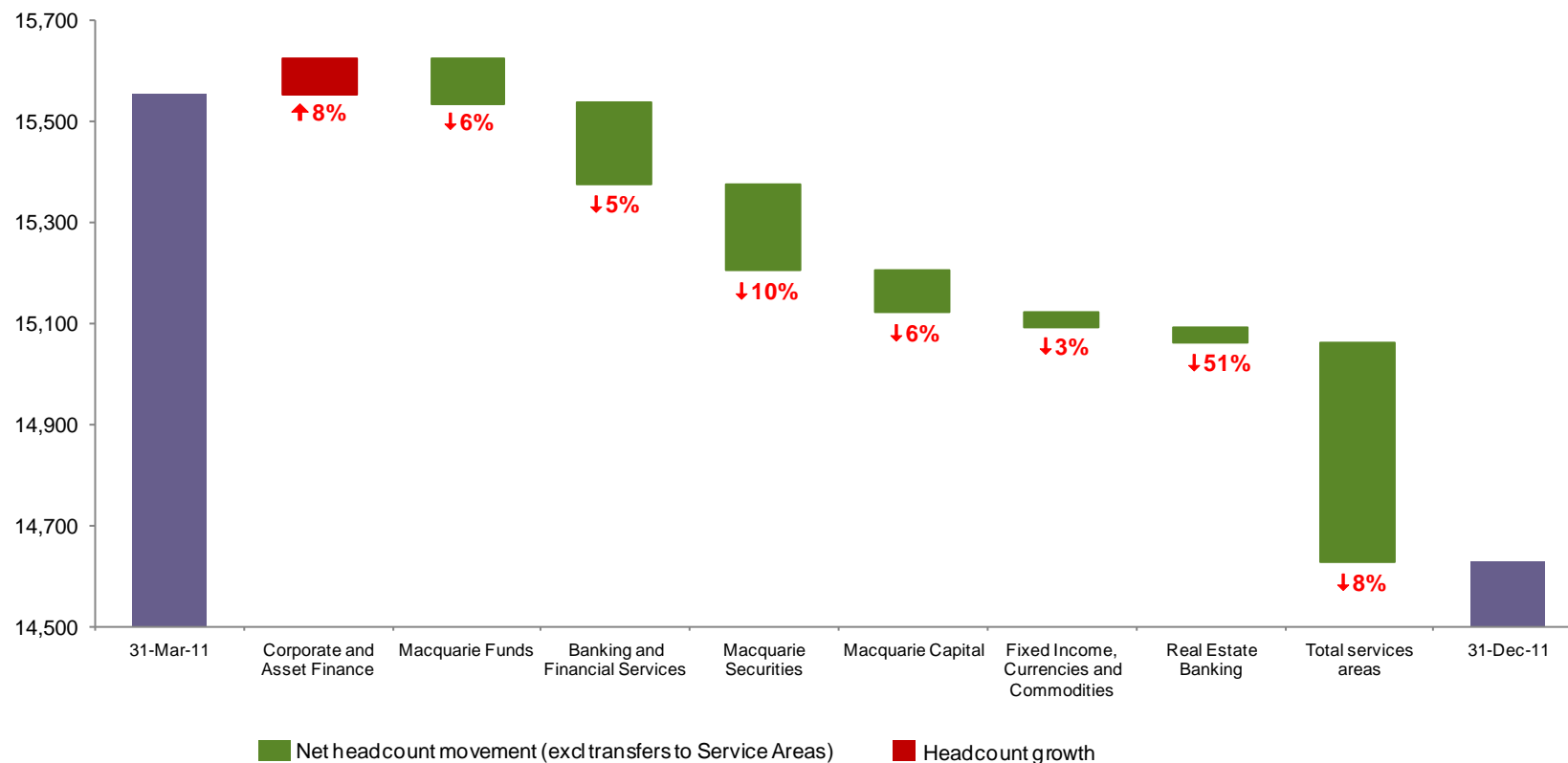
1. Excludes movement in operating expenses relating to REB, FX and unallocated Corporate expenses.



Staffing

Responding to current markets and opportunities

MGL Headcount





Focussing on capital market facing businesses

Case Study: Macquarie Securities and Macquarie Capital

- MSG and Macquarie Capital expected to reduce FY11 run rate costs by 20-25% by end FY13

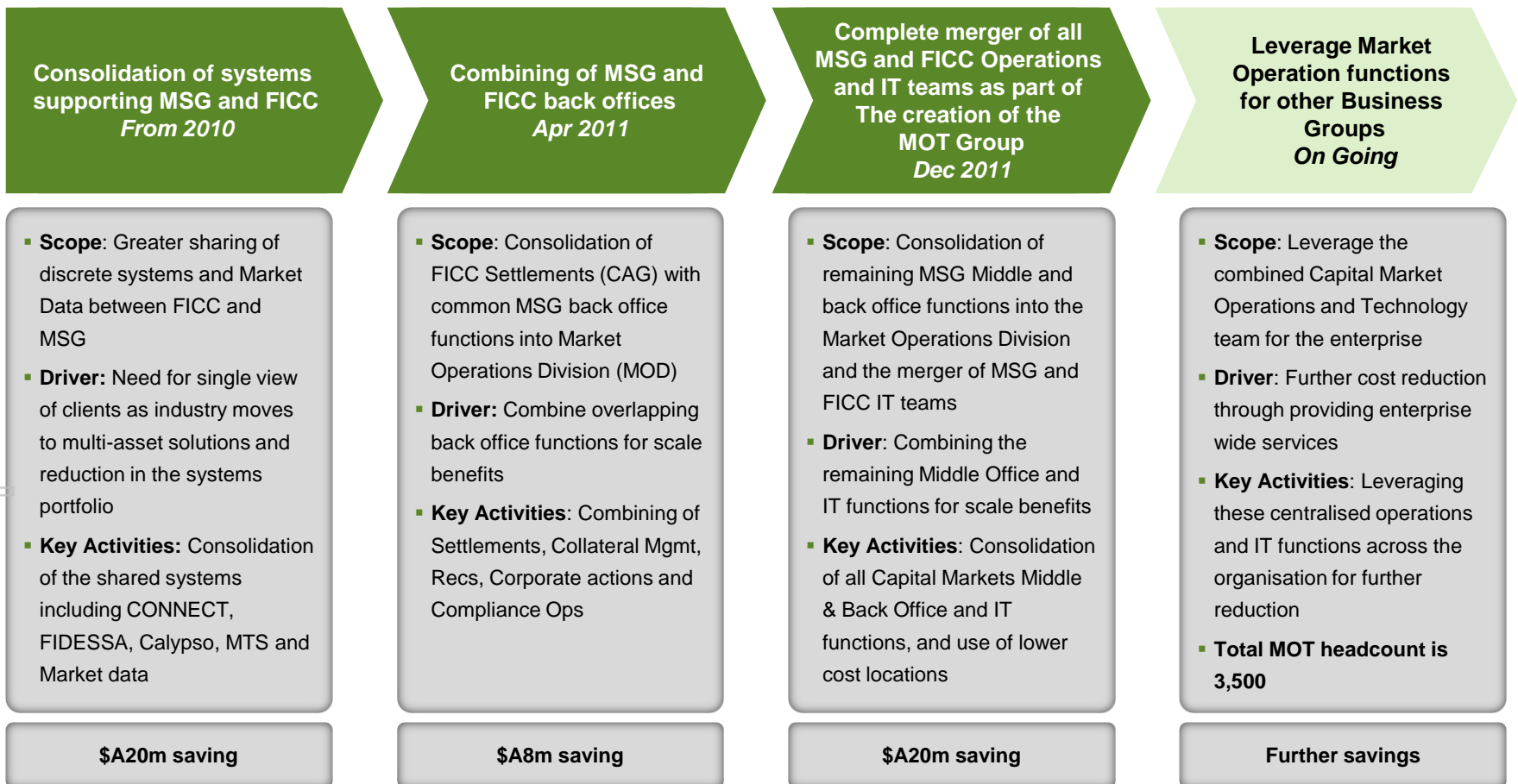
	Macquarie Securities	Macquarie Capital
Initiatives	<ul style="list-style-type: none">■ 70% of savings achieved by significantly scaling back or exiting derivatives businesses■ Streamlining teams in Cash Equities■ Consolidating and centralising operations into Market Operations and Technology (MOT)	<ul style="list-style-type: none">■ Sizing teams based on targeted areas of expertise■ Efficiencies in support functions through rationalisation, centralisation and sharing Bankwide functions■ Consolidation of technology teams into Market Operations and Technology (MOT)
Progress to date	~10% net savings FY12	~15% net savings FY12
Total run rate savings	~ 20% net savings by FY13	~ 25% net savings by FY13



Consolidating functions to leverage scale

Case Study: Creation of single Capital Markets Operations & Technology team

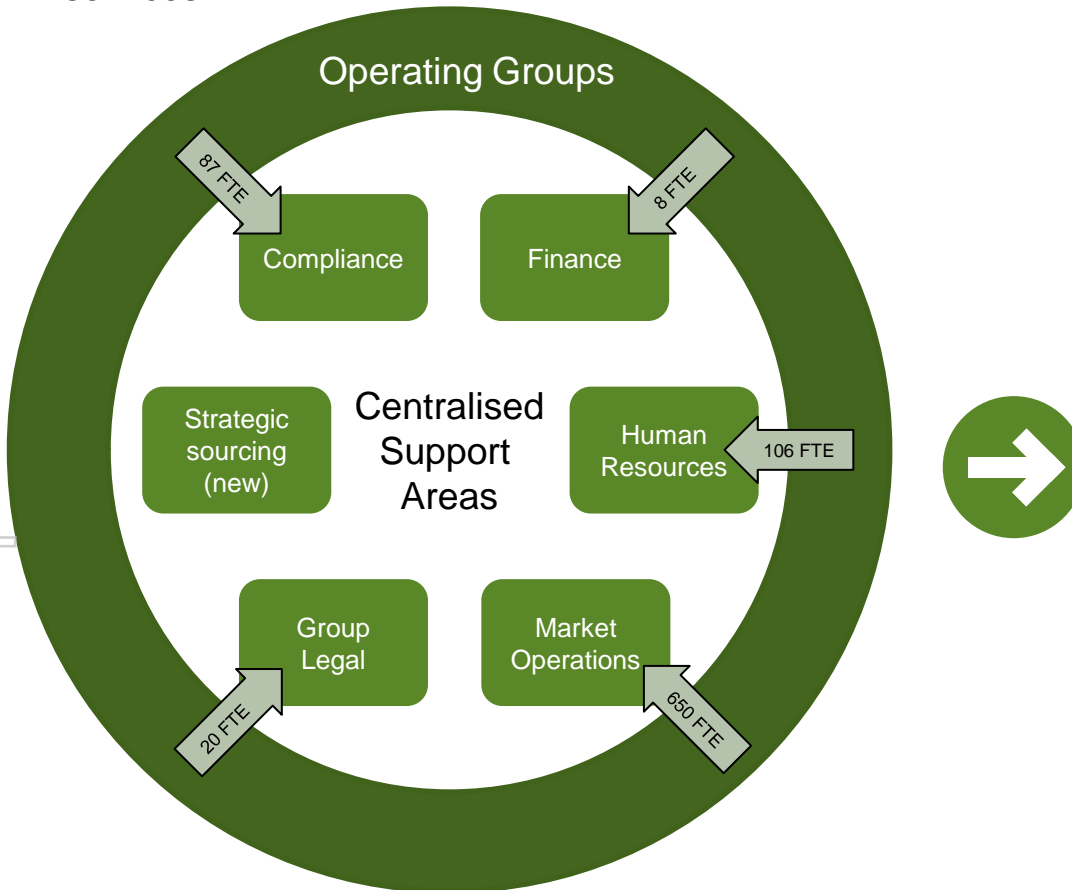
- As part of our program to create a single market operations and technology function to improve efficiency and reduce costs, the operations and technology areas supporting MSG and FICC have been combined



Consolidating functions to leverage scale

Delivering savings through centralising of support

- Support teams previously located within Operating Groups have been centralised
- Governance also centralised to ensure greater enterprise-wide collaboration and delivery of shared services



Benefits expected

- Expected to generate run rate savings of 15% by end FY13 as compared FY11**
- Operational and IT scale efficiencies
- Standardisation of processes and service delivery
- Rationalisation of external spend
- Reduced duplication
- Improved knowledge sharing
- Pooling of specialist skills
- Improved governance and accountability
- Optimised sourcing and location of services

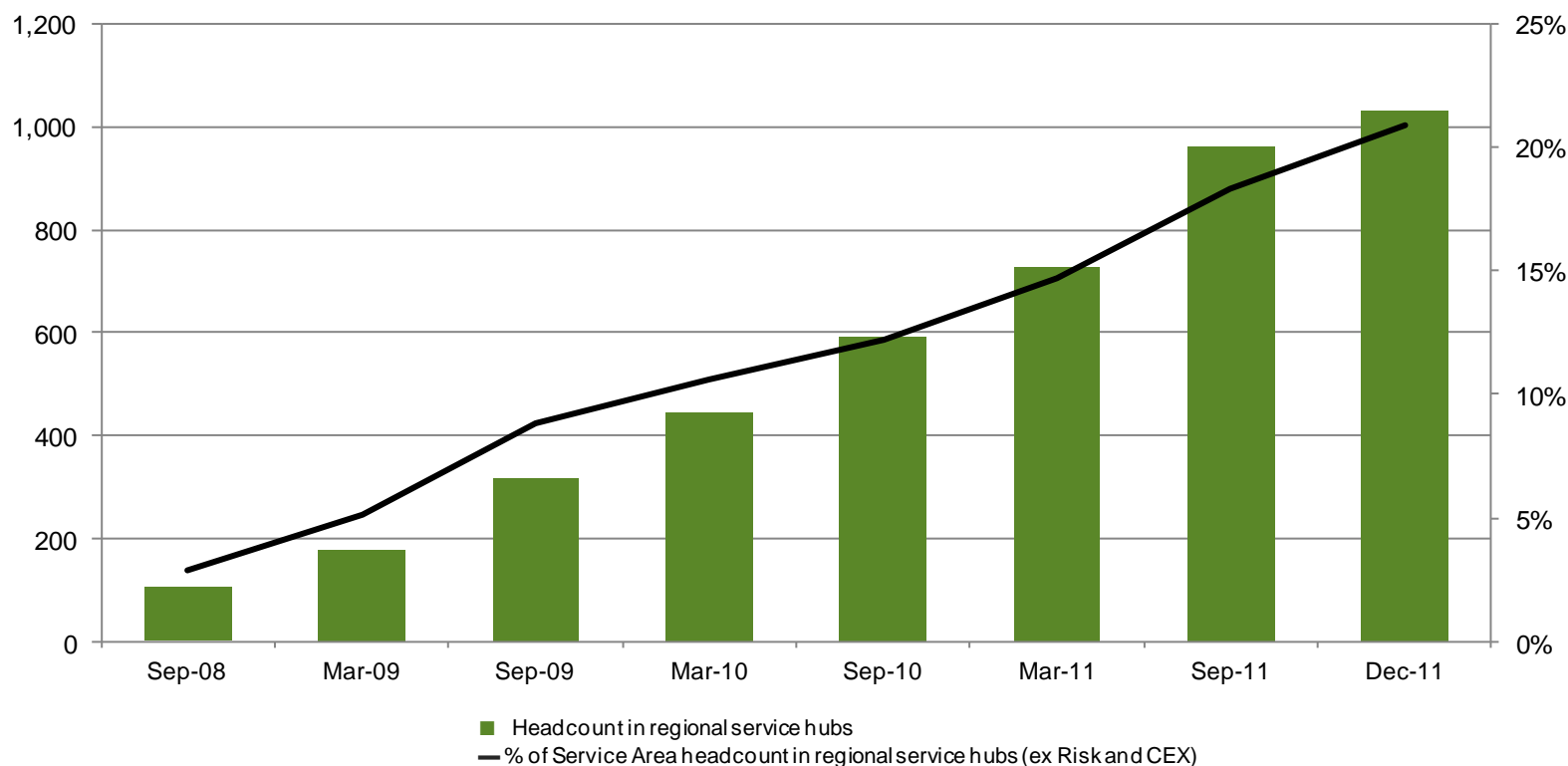


International support functions

Increasing the use of international locations to support our global businesses

- Now over 1,000 staff located in regional service hubs, supporting Macquarie's global operations
- This represents approx. 20% of Finance, Technology, HR and Business Services functions

Staffing in regional service hubs





Capital Management

Patrick Upfold, Chief Financial Officer and Group Treasurer

Macquarie Group Limited

Operational Briefing

7 February 2012 – Presentation to Investors and Analysts



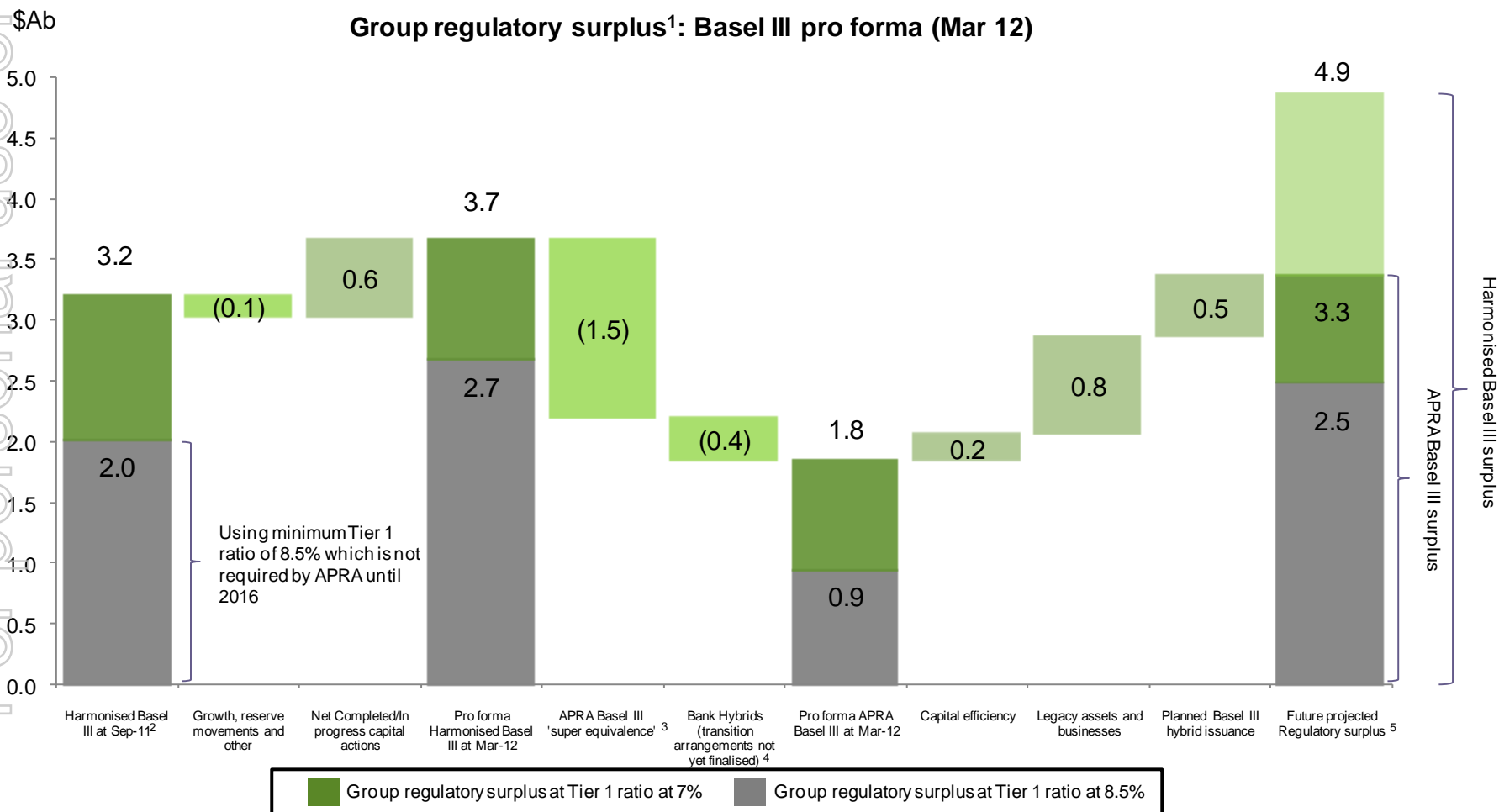
Capital update

- As advised in the 1H12 results presentation
 - Although APRA has not finalised its interpretation of the Basel III rules, it is our assessment that Macquarie Group has sufficient capital today to meet the Basel III capital rules as applied by APRA as at 1 Jan 13
 - It is our assessment Macquarie Group has sufficient Common Equity Tier 1 to cover the Capital Conservation Buffer of 2.5%
- Based on our projected pro-forma Group capital position as at 31 Mar 12
 - On a fully implemented Harmonised Basel III basis, our surplus capital is anticipated to be approx. \$A3.7b measured at 7%¹ and \$A2.7b measured at 8.5%² (APRA 2016 requirement) at 31 Mar 12
- After APRA 'super equivalence' and on a fully implemented Basel III basis, we expect our pro-forma Group capital surplus to be approx. \$A0.9b³ at 31 Mar 12. APRA has advised that meeting fully implemented Basel III requirements (not otherwise required until 2016) is a pre-requisite for buyback approval
- This surplus capital is expected to allow the commencement of the buyback of up to 10% of MGL ordinary shares, subject to regulatory approval
 - Buyback expected to commence in first half FY13 and to proceed concurrent with further capital actions

1. Pro-forma 31 Mar 12 surplus calculated using the Tier 1 capital ratio of 7% which is the 2013 requirement. 2. The Tier 1 capital ratio of 8.5% is not required by APRA until 2016 and includes the capital conservation buffer. Does not include future retained earnings or hybrid issuance. Capital requirements may vary with changes in market conditions. 3. Calculated using the Tier 1 capital ratio of 8.5%.



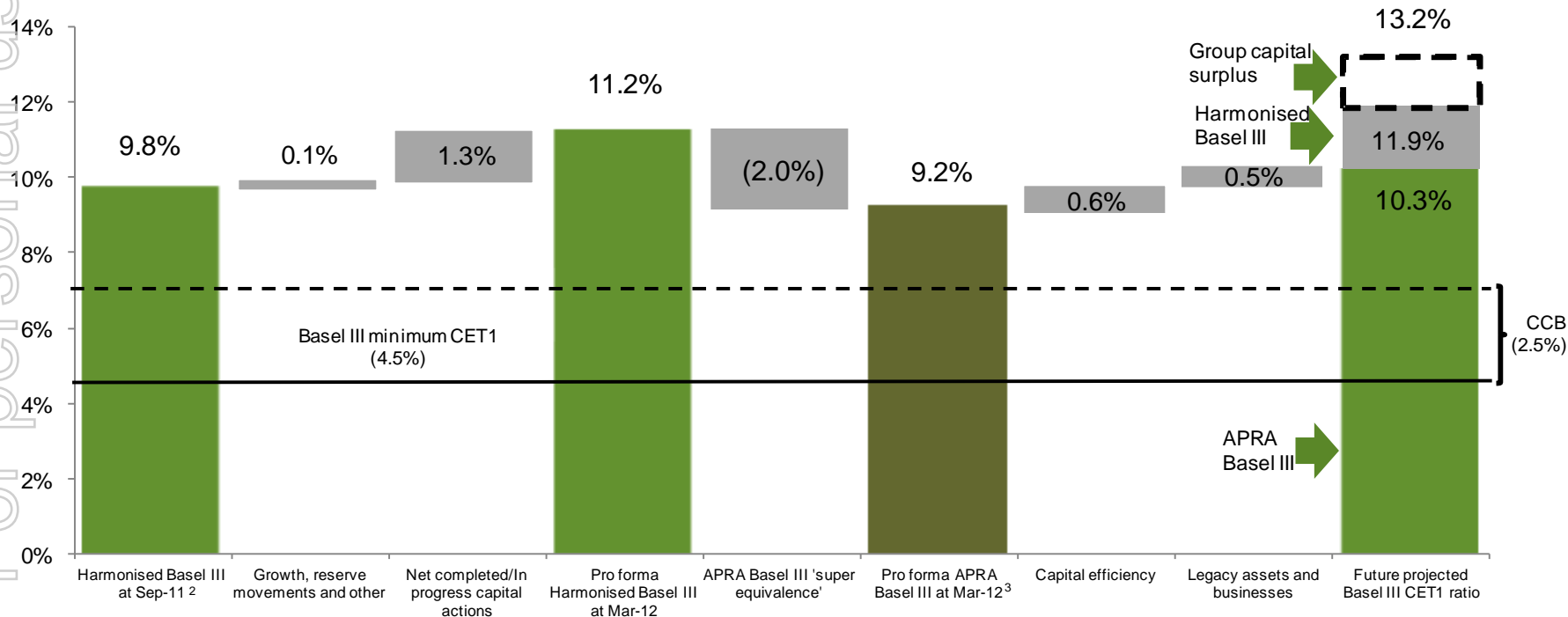
Basel III surplus to increase as a result of Capital Actions



1. Group regulatory surplus is calculated (per the MGL NOHC authority) applying the internal minimum Tier 1 ratio of 7% in the banking group. Capital requirement may vary with changes in market conditions 2. 'Harmonised' Basel III estimates assume full alignment with BIS in areas where APRA differs from the BIS. 3. APRA Basel III 'super-equivalence' includes full CET1 deductions of equity investments (-\$0.9b) ; deconsolidated subsidiaries (-\$0.4b); DTA's and other impacts (-\$0.2b). 4. Ineligible under APRA discussion paper; matter still to be finalised with APRA. 5. Based on expected Mar 12 numbers



Tier 1: 11.2%; Tier 1: 11.8%

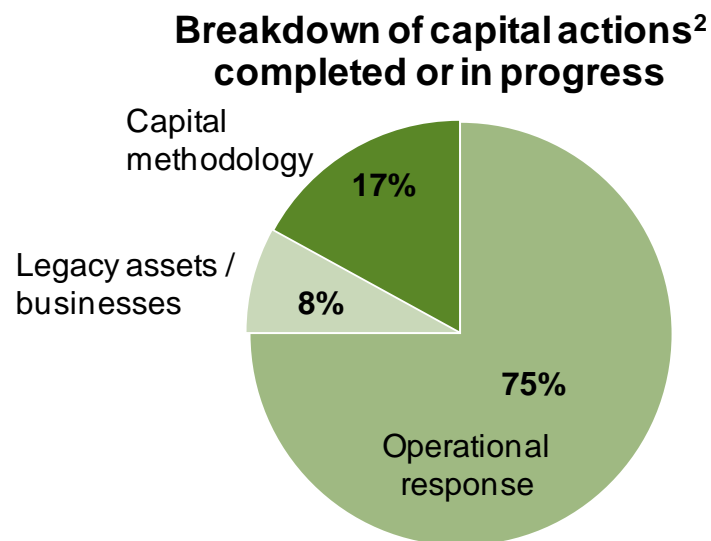
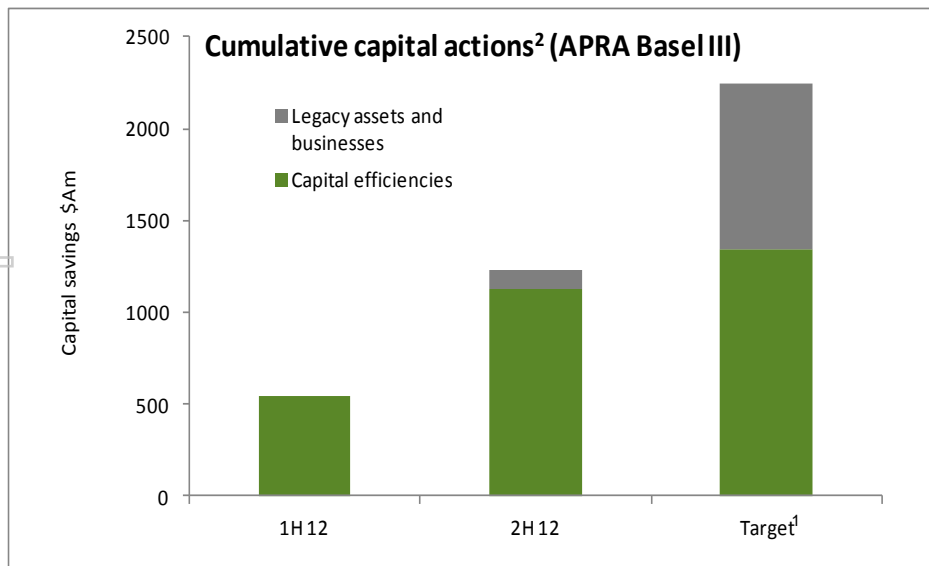


1. Capital requirement may vary with changes in market conditions. 2. 'Harmonised' Basel III estimates assume full alignment with BIS in areas where APRA differs from the BIS. 3. APRA Basel III 'super-equivalence' includes full CET1 deductions of equity investments (-1.2%); deconsolidated subsidiaries (-0.5%); DTA's and other impacts (-0.3%).

Update on Capital Actions

Areas of focus

- **Basel III capital:** Ongoing review of each Operating Group to quantify the impact of Basel III on capital requirements
- **Capital charging:** Placing a price on capital used by Operating Groups
- **Business returns:** All transactions now evaluated on the basis of fully implemented Basel III
- **Operational response:** All businesses now operating cognisant of Basel III



1. Equates to the \$A0.8b of capital efficiencies and \$0.9b of legacy assets and businesses on Slide 43 of the 1H12 Results Presentation, plus the \$A0.5b capital savings on an APRA Basel III basis achieved 1H12. 2. Includes capital actions either completed or that are expected to complete prior to Mar 12 and included in the Mar 12 pro-forma capital estimate.



Examples of capital actions¹

Macquarie Funds	<ul style="list-style-type: none">▪ Return of excess capital currently held in fund management subsidiaries where currently over capitalised▪ Netting of cash collateral to reduce exposures in respect of retail structured investment products
Corporate and Asset Finance	<ul style="list-style-type: none">▪ Exit aircraft engine leasing business
Banking and Financial Services	<ul style="list-style-type: none">▪ Move from Standardised to IRB treatment for Relationship Banking portfolio, consistent with the treatment of other credit books in Macquarie▪ Strategic partnership with Julius Baer in relation to Asian Private Wealth business resulting in reduced balance sheet usage
Macquarie Securities	<ul style="list-style-type: none">▪ Exit underperforming derivatives businesses including institutional derivatives, Asian Exotics and European index synthetics
Macquarie Capital	<ul style="list-style-type: none">▪ Although not directly impacted by Basel III (business does not operate in MBL), review of capital usage continuing to provide additional capital surplus at the MGL level
Fixed Income, Currencies and Commodities	<ul style="list-style-type: none">▪ Reduce holdings of securitised assets that attract penal capital treatments under Basel III▪ OTC derivatives will be increasingly centrally cleared as regulatory reforms are implemented▪ Update systems to enable improved precision in capital calculations

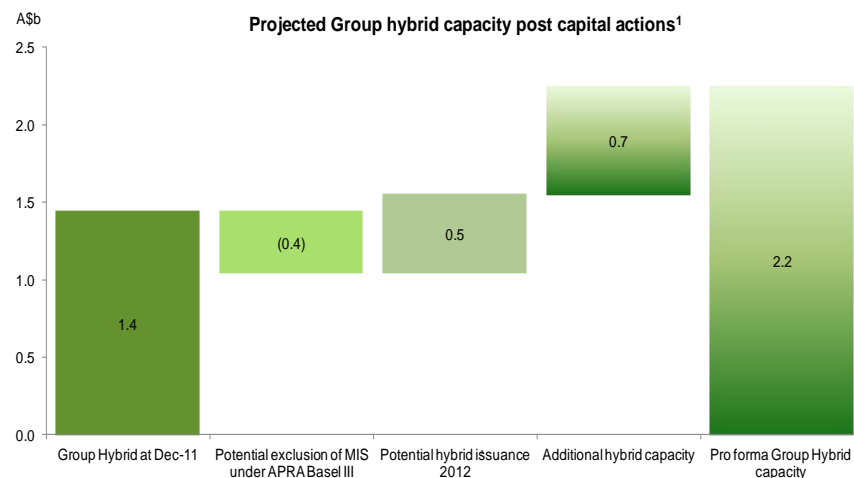
1. Includes examples that are completed / in progress and that are included in the Mar 12 Harmonised Basel III pro-forma as well as those in progress and potential actions that are expected to be completed after Mar 12.



Update on Hybrid issuance

\$A2.2b of hybrid capacity at the Group level post Capital Actions

- Macquarie plans to undertake hybrid capital issuance in order to
 - Improve capital structure efficiency under Basel III whilst maintaining high levels of Core Equity
 - Replace hybrid instruments which no longer qualify under Basel III rules
 - Better match capital and funding requirements for offshore activities (foreign currency denominated)
- Current status of hybrid issuance
 - Market conditions improving
 - However, awaiting APRA's final rules on some aspects of Basel III hybrid requirements
- Subject to APRA approval and market conditions, targeting issuance as soon as practical



1. Group hybrid capacity is required under the APRA NOHC authority to be no more than 25% of the MGL minimum capital requirement.



Regulatory Update

■ Basel III Capital

- APRA provided a draft interpretation of Basel III rules in Sep 11
- Written submission provided to APRA in Dec 11 commenting on draft rules
- Although draft, based on discussion with APRA there is now a high degree of clarity on how the rules will apply to Australian banks – however, there are some areas where APRA has advised that further clarification will be provided in early 2012 including
 - Risk coverage changes, including CVA
 - Rules relating to hybrid capital instruments
- Expecting finalisation of the rules and draft Basel III capital standards to be issued in early 2012

■ Liquidity

- APRA published Basel III Liquidity discussion paper and draft prudential standard in Nov 11
- Submissions relating to these are due to APRA by mid-Feb 12
- Final liquidity standard (APS 210) to be issued in mid-2012



Liquidity ratios

Basel III requirements

- APRA released discussion paper and draft liquidity standard in Nov 11
- Proposals are broadly consistent with the Basel III rules text
- RBA released details of the Committed Liquidity Facility (CLF)
- Macquarie expects to meet both LCR and NSFR ratios

LCR (Liquidity Coverage Ratio)

- 30 day stress scenario
- Australian banks require the RBA CLF to meet the LCR requirements
- Banks will be charged 15 bps fee on the CLF
- Size of facility will be agreed on a bilateral basis with APRA
- LCR implemented as a minimum requirement in 2015

NSFR (Net Stable Funding Ratio)

- 12 month structural funding metric
- APRA has introduced a new category for assets used as collateral under the CLF in the LCR (10% RSF factor - excluding self-securitisations)
- NSFR implemented as a minimum requirement in 2018





Appendix

Glossary

Macquarie Group Limited

Operational Briefing

7 February 2012 – Presentation to Investors and Analysts



Glossary

~	Approximately
<	Less Than
€	Euro
\$A	Australian Dollar
\$C	Canadian Dollar
\$HK	Hong Kong Dollar
\$US	United States Dollar
1H11	Half Year ended 30 September 2010
1H12	Half Year ended 30 September 2011
2H11	Half Year ended 31 March 2011
2H12	Half Year ended 31 March 2012
ABS	Australian Bureau of Statistics
ADR	American Depositary Receipt
AML	Anti-Money Laundering
Approx.	Approximately
APRA	Australian Prudential Regulatory Authority
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUA	Assets Under Administration
AUM	Assets Under Management
BFS	Banking and Financial Services
BIS	Bank for International Settlements

bps	Basis Points
CAF	Corporate and Asset Finance
CAGR	Compound Annual Growth Rate
CCB	Capital Conservation Buffer
CET1	Common Equity Tier 1
CEX	Corporate Executive Group
CHESS	Australian Clearing House and Electronic Sub-Register System
CLF	Committed Liquidity Facility
CMA	Cash Management Account
CML	Capital Meters Limited
CMT	Cash Management Trust
CY07	Calendar Year ended 31 December 2007
CY08	Calendar Year ended 31 December 2008
CY09	Calendar Year ended 31 December 2009
CY10	Calendar Year ended 31 December 2010
CY11	Calendar Year ended 31 December 2011
DCM	Debt Capital Markets
DD1	Derivatives DeltaOne
DR	Depositary Receipt
DTA	Deferred Tax Asset
E&C	Engineering and Construction
E&P	Exploration and Production



Glossary

ECM	Equity Capital Markets
EMEA	Europe, the Middle East and Africa
EPS	Earnings Per Share
ETF	Exchange-Traded Fund
EU	European Union
Ex	Excluding
FAA	Financial Advisers Act
FATCA	Foreign Account Tax Compliance Act
FICC	Fixed Income, Currencies and Commodities
FOFA	Future of Financial Advice
FS	Financial Services
FT	Financial Times
FTE	Full Time Employee
FTSE	Financial Times Stock Exchange
FUA	Funds Under Administration
FUM	Funds Under Management
FX	Foreign Exchange
FY07	Full Year ended 31 March 2007
FY09	Full Year ended 31 March 2009
FY11	Full Year ended 31 March 2011
FY12	Full Year ended 31 March 2012
FY13	Full Year ended 31 March 2013

G10	Group of Ten Industrialised Nations
GATX	General American Transportation Corporation
GBP	Great Britain Pound
GDR	Global Depository Receipt
GFC	Global Financial Crisis
GMAC	General Motors Acceptance Corporation
HR	Human Resources
IFA	Independant Financial Adviser
ILFC	International Lease Finance Corporation
IPO	Initial Public Offering
IPP	Independant Power Producer
IRB	Internal Ratings-Based
IT	Information Technology
IT&T	Information Technology & Telecommunications
LCR	Liquidity Coverage Ratio
LHS	Left Hand Side
LNG	Liquefied Natural Gas
M&A	Mergers and Acquisitions
MacCap	Macquarie Capital
MAF	Macquarie AirFinance
MAp	Macquarie Airports
MBL	Macquarie Bank Limited



Glossary

MEF	Macquarie Equipment Finance
MFG	Macquarie Funds Group
MGL	Macquarie Group Limited
MOD	Market Operations Division
MOT	Market Operations and Technology
MPW	Macquarie Private Wealth
MQG	Macquarie Group Limited
MSG	Macquarie Securities Group
NCCP	National Consumer Credit Protection
No.	Number
NOHC	Non-Operating Holding Company
NOIP	Net Over Intrinsic Premium
NPAT	Net Profit After Tax
NSFR	Net Stable Funding Ratio
NZ	New Zealand
OTC	Over The Counter
P&C	Property and Casualty
P&I	Principal and Interest
P&L	Profit and Loss
Pcp	Prior Corresponding Period
PM	Portfolio Manager
PPE	Property, Plant & Equipment

PPP	Public Private Partnership
pts	Points
qtr	Quarter
RBA	Reserve Bank of Australia
REB	Real Estate Banking
RHS	Right Hand Side
ROE	Return on Equity
RSF	Required Stable Funding
S&P	Standard and Poors
S/W	Software
SCC	Swiss Commercial Capital Ltd
SGX	Singapore Exchange
SME	Small and Medium Enterprises
ST	Short Term
TAS	Tax Agent Services
TMET	Telecommunications, Media, Entertainment and Technology
UK	United Kingdom
US	United States of America
VAN	Virtual Adviser Network



Macquarie Group Limited

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