



Macquarie Group Limited

# Operational Briefing

Presentation to Investors and Analysts  
8 February 2011



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## Disclaimer

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# Agenda

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10:05 – 10:10 Introduction – Richard Sheppard

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10:10 – 10:30 Update since the Interim Result – Nicholas Moore

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10:30 – 10:55 Fixed Income, Currencies and Commodities – Andrew Downe

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10:55 – 11:15 Morning tea

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11:15 – 11:40 Macquarie in the Americas – Tim Bishop

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11:40 – 12:05 Macquarie Funds Group – Shemara Wikramanayake

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12:05 – 12:30 Risk Management Group – Stephen Allen

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# About Macquarie

## Building for the medium term

### Macquarie Securities

- Top-tier, global institutional securities house with strong Asia-Pacific foundations
- Full-service in Australia and Asia with growing offerings in the US, Canada, Europe and South Africa
- 9<sup>th</sup> largest research house globally covering over 2,400 stocks
- Proven capability in distribution of Asia stocks into US and Europe
- Key specialties: infrastructure and utilities, real estate, TMET, resources (mining & energy), industrials and financial institutions

### Macquarie Capital

- Global M&A advisory capability, including ECM, DCM and PCM products and a principal investing platform
- Key specialties: infrastructure, utilities and renewables, real estate, TMET, resources (mining & energy), industrials and financial institutions

### Macquarie Funds

- Top 40 global asset manager with approximately \$A300b<sup>1</sup> of assets under management
- Provides clients with access to a diverse range of products, including securities investment management, infrastructure and other real asset management and fund & equity based structured products

### 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, power, oil, coal, freight)
- Predominant in US and Australia, growing presence in Asia and EMEA
- Specialties: commodities, emerging markets, high yield and distressed debt

### Corporate and Asset Finance

- Provider of specialist finance and asset solutions, with \$A16.5b<sup>1</sup> of loans and assets under finance
- Expertise in aviation assets, IT&T, rail, manufacturing equipment, motor vehicles and corporate debt
- One of the largest providers of motor vehicle finance in Australia

### Banking and Financial Services

- Leading provider of retail advisory services and products
- Business banking for small to medium businesses including business deposit, funding, transaction and payment solutions
- Full-service deposit-taking, products, platforms and services to intermediaries in Australia

1. Balance as at 31 Dec 10.



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# Update since the Interim Result Announcement

Nicholas Moore

Managing Director and Chief Executive Officer

**Macquarie Group Limited**

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## Overview

- Market conditions continue to track back to more normal levels, with the exception of equity markets where volumes remain subdued
- Consistent with improved market conditions, Dec 10 qtr operating result for the Group was significantly up on the subdued Sep 10 and Jun 10 qtrs
- Dec 10 qtr operating result for all Groups, except MSG, up on the Dec 09 qtr, however the Group overall was down on stronger Dec 09 qtr



## Overview

- Organic growth initiatives continuing across the Group include:
  - **MSG:** Consolidating the build out of cash equities and derivative businesses in Europe and US. Focus now on product rollout and developing client recognition
  - **MacCap:** Focus on advisory services in our key speciality sectors
  - **FICC:** Continuing to expand Asian business out of the recently established Singapore hub, extended MBL Seoul Branch activities to include OTC derivatives in the Dec 10 qtr
  - **MFG:** Consolidation with Delaware and with Macquarie Infrastructure and Real Assets Division providing strong global platform for MFG – complementary capabilities, global distribution team, specialist structuring skills, scalable operational platform
  - **CAF:** Continuing to grow loan and asset portfolio, including financing over 16,000 motor vehicles in Australia and completing a further \$A500m Australian motor vehicle lease and loan securitisation in the Dec 10 qtr. Geographic expansion of technology leasing capacity into Asia and continued growth of vendor/channel financing programmes
  - **BFS:** continuing to build client base with over 1m clients globally at 31 Dec 10



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## Overview

- Maintaining our strong market positions which will benefit from improving market conditions
  - **MSG:** No.1 Australian equity research/advisory share for US and European institutional investors<sup>1</sup>, No.2 Australian overall research and sales for Australian institutional investors<sup>2</sup>, No.1 market share in listed warrants in Singapore<sup>3</sup>, increasing market share across various Asian equity markets<sup>3</sup>
  - **MacCap:** No.1 in Australian M&A by number of deals<sup>4</sup>, received 19 awards globally in 2010 including Project Finance Global Adviser of the Year & Global Deal of the Year (HSBC Eversholt Rail)<sup>5</sup>, Best M&A House in Australia<sup>6</sup>, Best Deal in China (Agricultural Bank of China)<sup>7</sup> and M&A Deal of the year in Australia<sup>8</sup>
  - **FICC:** Best Domestic FX Providers - Australia<sup>9</sup>, No.4 US physical gas marketer in North America<sup>10</sup>, Excellence in Agricultural and Softs Markets: Trade, Risk and Portfolio Management (London)<sup>11</sup>
  - **MFG:** Largest Australian based asset manager, ranked first of Australian individual managers by number of mandates won for the year to Sep 10<sup>12</sup>, globally largest manager of Alternative Assets overall and largest manager of Infrastructure Assets<sup>13</sup>
  - **CAF:** One of the largest providers of motor vehicle finance in Australia and one of North America's largest independent lessors of technology equipment
  - **BFS:** No.1 ranked full service retail stockbroker in Australia<sup>14</sup>, Standard & Poor's Product Distributor of the Year (Professional Series)

1. Greenwich Survey of US Institutional Investors 2010 – Australian Equities and Greenwich Survey of European Institutional Investors 2010 – Australian Equities. 2. Peter Lee Survey of Australian Equity Investors 2010. 3. Local Exchanges. 4. Thomson Reuters, M&A announced and M&A completed 2010. 5. Project Finance International. 6. Euromoney. 7. By both The Asset and Finance Asia. 8. CFO Magazine. 9. AsiaMoney Corporate FX Poll 2010. 10. PlattsGasDaily Dec 10. 11. Commodity Business Awards 2010. 12. Rainmaker Mandate Chaser Report as at 30 Sep 10. 13. Towers Watson Global Alternatives Survey 2010. 14. Smart Investor Awards 2010.



# More than 15,400<sup>1</sup> staff in over 28 countries

## EUROPE, MIDDLE EAST & AFRICA<sup>2</sup>

Staff: 1,566



## ASIA

Staff: 2,735



## AMERICAS

Staff: 3,693



## AUSTRALIA

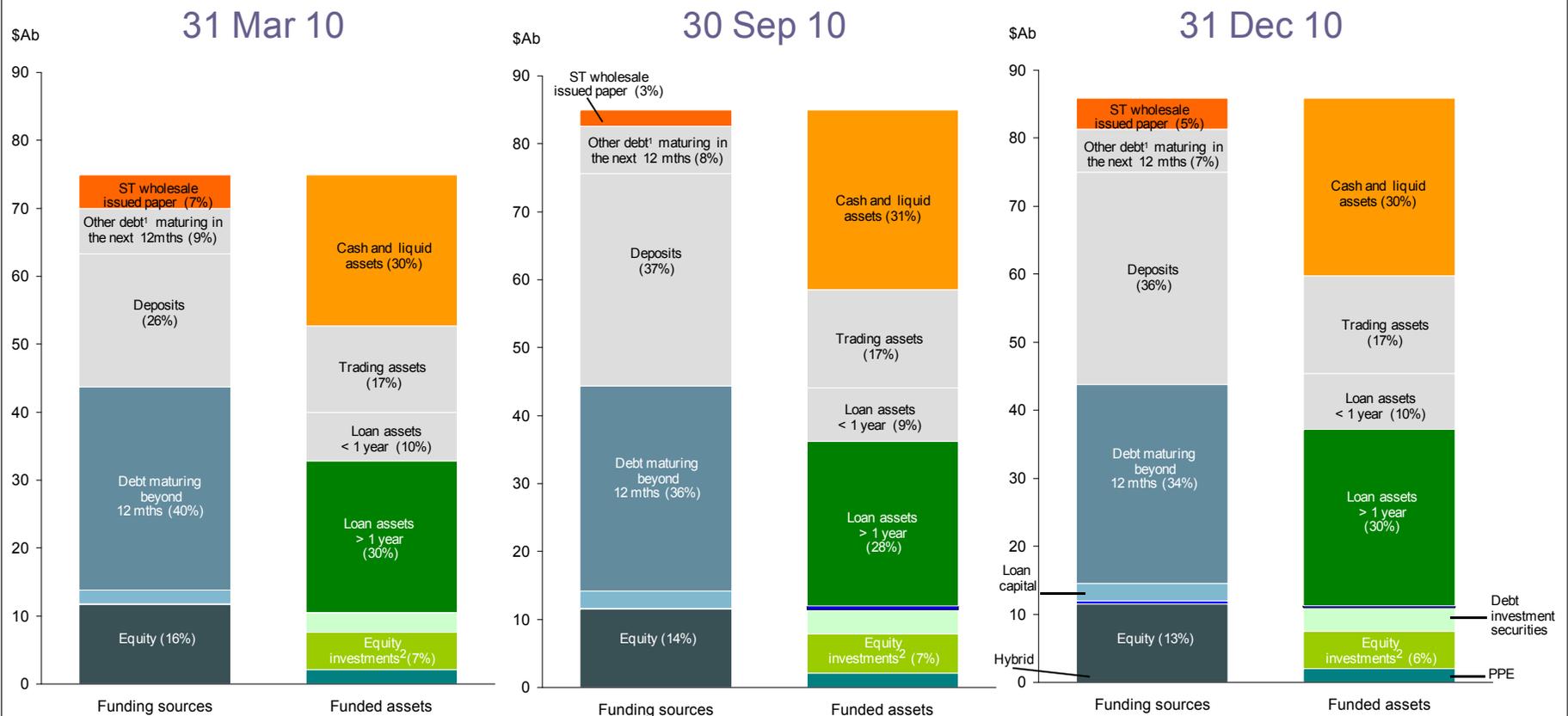
Staff: 7,408

1. Staff numbers at 31 Dec 10. 2. Excludes staff in Macquarie First South joint venture and staff seconded to Macquarie Renaissance joint venture (Moscow).



# Funded balance sheet remains strong

## Macquarie Group Limited



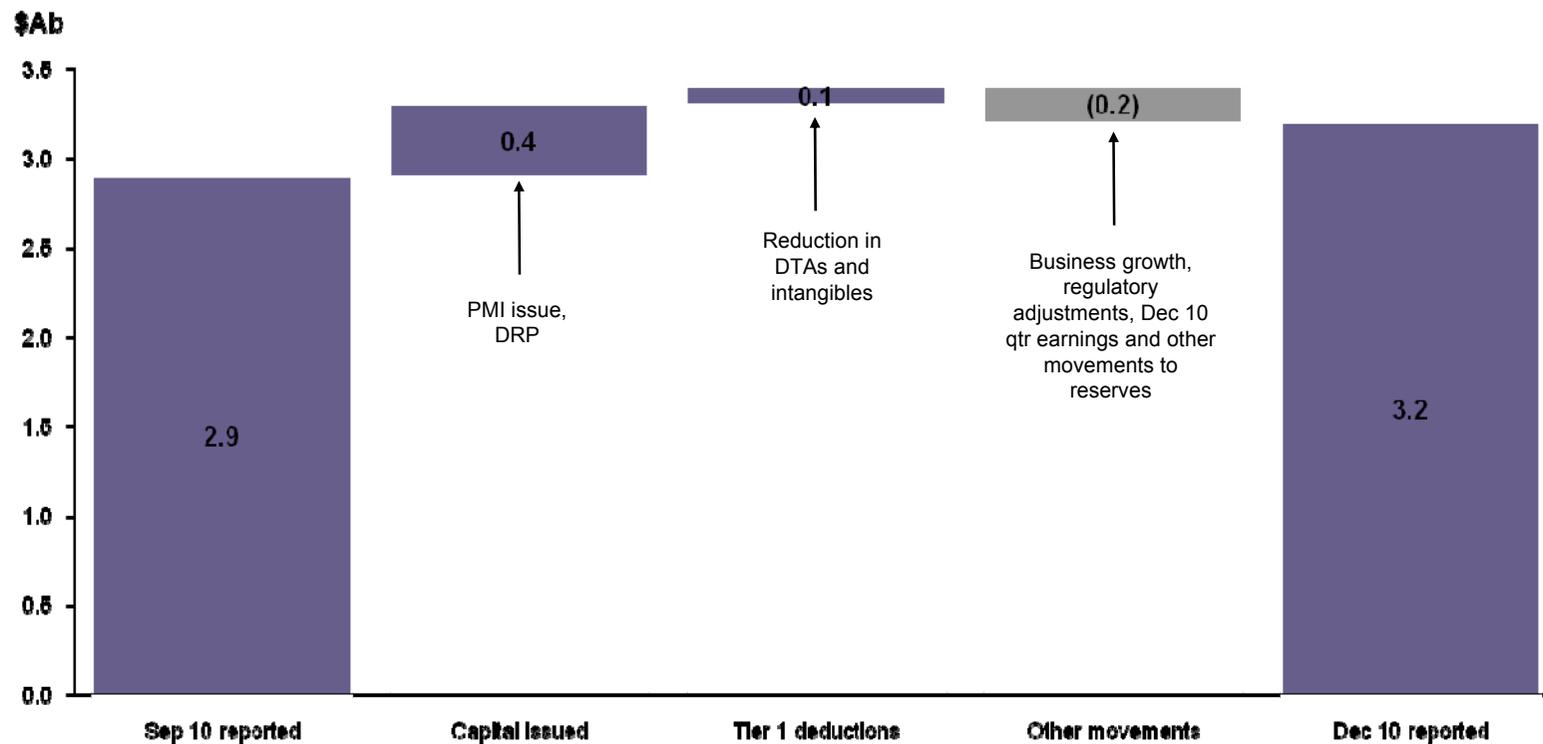
Note: These charts represent Macquarie Group Limited's funded balance sheets at the respective dates noted above.

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.



# Group capital surplus of \$A3.2b

- Group capital of \$A12.0b at 31 Dec 10, a \$A3.2b buffer of capital in excess of the Group's minimum regulatory capital requirements
- Strong Banking Group capital ratios – Tier 1: 10.6% (Core Tier 1<sup>1</sup>: 9.8%); Total Capital: 12.2%
- Final form of Basel III in Australia is subject to implementation by APRA. Macquarie continues to monitor regulator and other market developments and remains well capitalised and well funded



1. Core Tier 1 represents Tier 1 excluding hybrid Tier 1 instruments.



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## Outlook for 2H11

- At 1H11 Result Announcement, it was foreshadowed that subject to market conditions returning to more normal levels during 2H11, it was anticipated that FY11 result was to be broadly in line with FY10
- Dec 10 qtr result reflected improved market conditions across all groups except MSG where equity markets volumes remain subdued
- Subject to market conditions continuing to return to more normal levels as well as other factors including the timing of completion on transactions and normal year end procedures, we currently anticipate 2H11 result to be approximately 35% up on subdued 1H11 and 2H11 result to be approximately 5% down on pcp
- We continue to expect FY11 trading to be characterised by:
  - Income statement
    - Fewer one-offs items (e.g. asset sales, writedowns, provisions), as seen in 1H11
    - Compensation ratio to be consistent with historical levels
    - Continued higher cost of funding reflecting market conditions and high liquidity levels
  - Balance sheet
    - Excess funding levels which we expect will continue to be deployed across the businesses



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