



MACQUARIE



Operational Efficiencies

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Operational Briefing

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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**

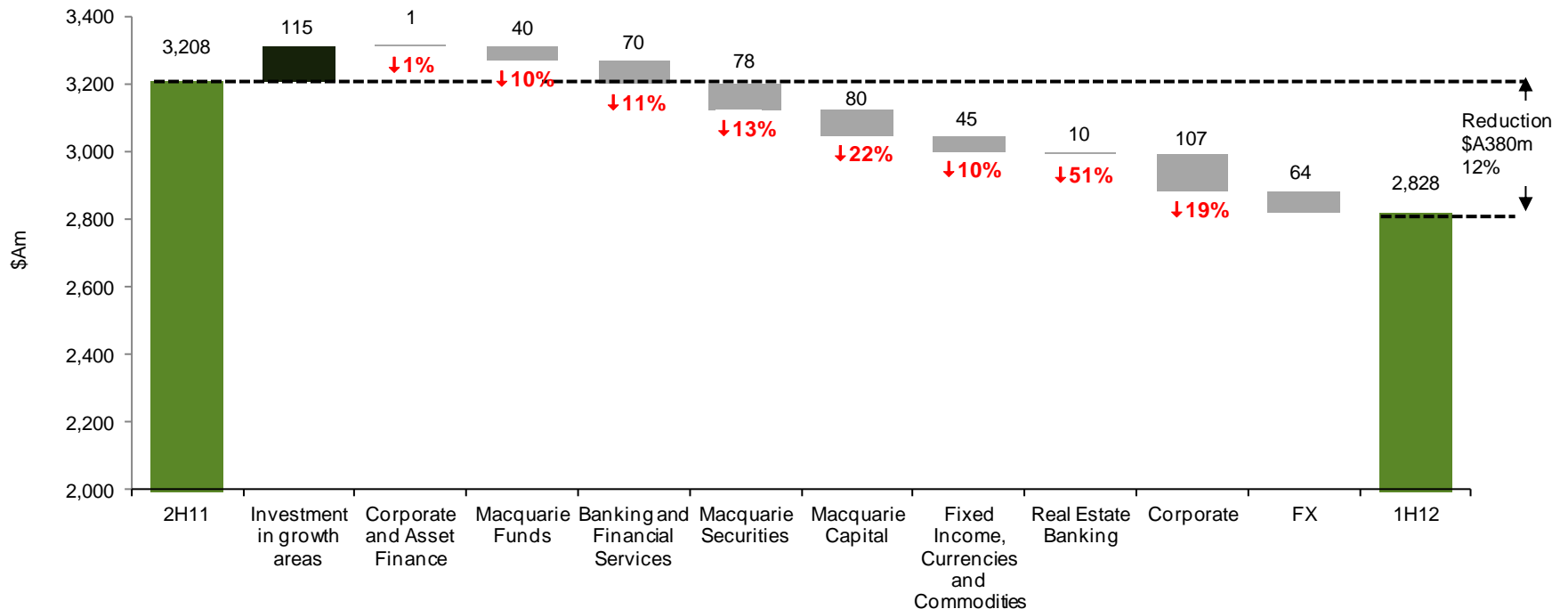
Strong governance structure to drive and monitor these initiatives



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



1. Percentage reduction off 2H11 cost base.



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

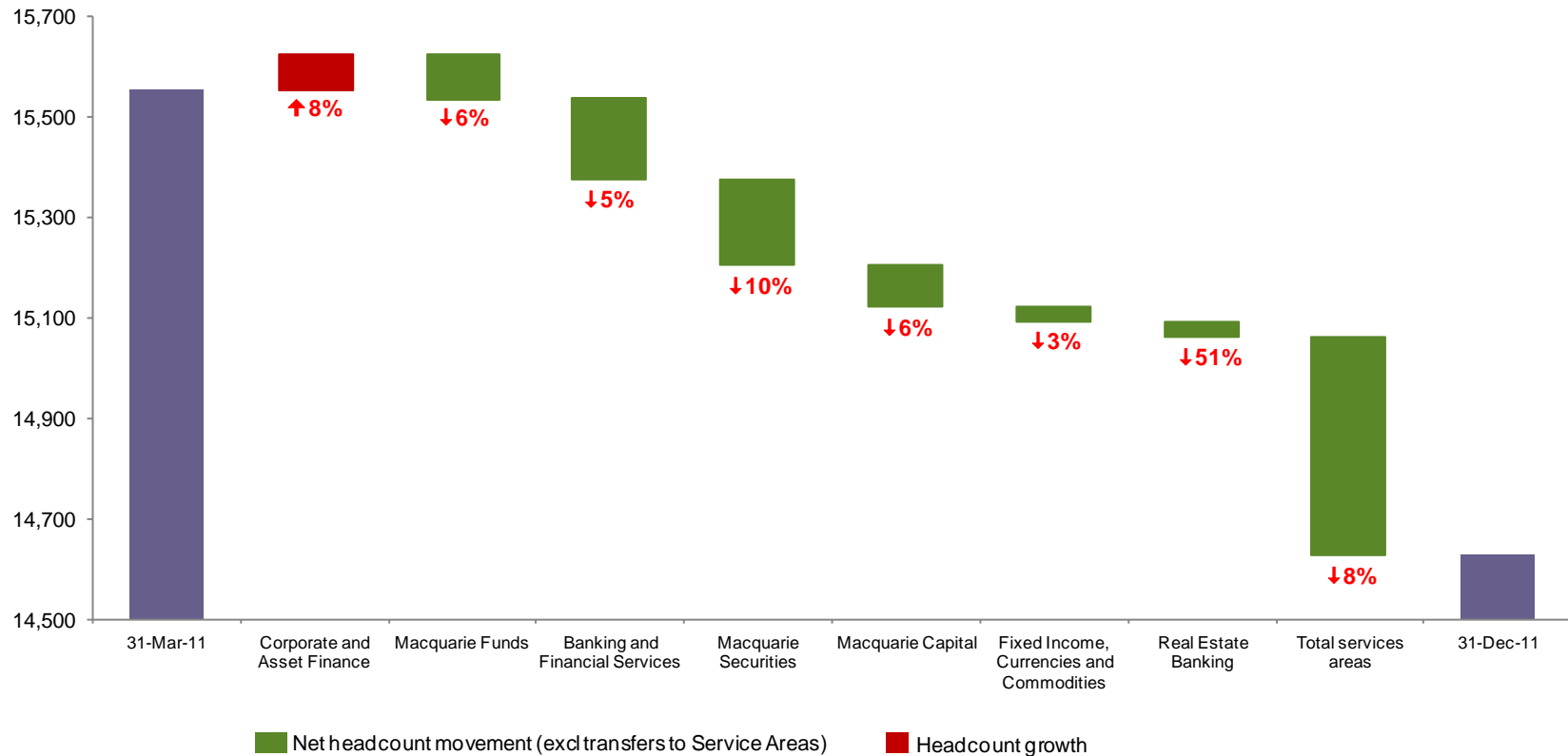
1. Excludes movement in operating expenses relating to REB, FX and unallocated Corporate expenses.



Staffing

Responding to current markets and opportunities

MGL Headcount



1. Percentage reduction off 31 Mar 11 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

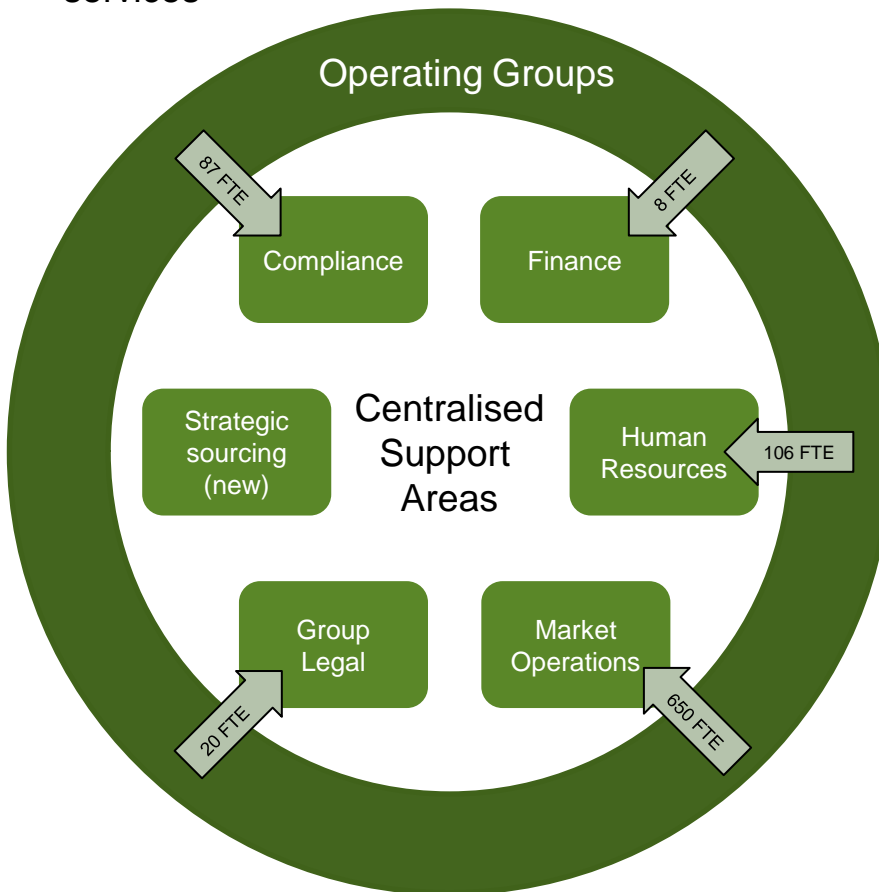
- As part of our program to create a single market operations and technology function to improve efficiency and reduce costs, the operations and technology areas supporting MSG and FICC have been combined



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

