



MACQUARIE



## Update since the Interim Result Announcement

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Managing Director and Chief Executive Officer

# About Macquarie: Building for the long term



<b>Macquarie Funds</b>	<ul style="list-style-type: none"><li>• Top 50 global asset manager with \$A430.7b<sup>1</sup> of assets under management</li><li>• Provides clients with access to a diverse range of capabilities and products, including infrastructure and real asset management, securities investment management and fund and equity based solutions</li></ul>
<b>Corporate and Asset Finance</b>	<ul style="list-style-type: none"><li>• Provider of specialist finance and asset management solutions, with \$A26.1b<sup>1</sup> of loans and assets under finance</li><li>• Global capability in corporate and real estate credit investing and lending</li><li>• Expertise in asset finance including aircraft, motor vehicles, technology, healthcare, manufacturing, industrial, energy, rail and mining equipment</li></ul>
<b>Banking and Financial Services</b>	<ul style="list-style-type: none"><li>• Macquarie's retail banking and financial services business</li><li>• Provides a diverse range of personal banking, wealth management and business banking products and services to retail customers, advisers, brokers and business customers</li></ul>
<b>Macquarie Securities</b>	<ul style="list-style-type: none"><li>• Global institutional securities house with strong Asia-Pacific foundations covering sales, research, ECM, execution and derivatives activities</li><li>• Full-service cash equities in Australia, Asia, South Africa and Canada with specialised offerings in US and Europe. Specialised derivatives offerings in key locations globally</li><li>• Key specialities: Infrastructure and Utilities, TMET, Resources (mining and energy), Industrials and Financial Institutions</li></ul>
<b>Macquarie Capital</b>	<ul style="list-style-type: none"><li>• Global corporate finance capability, including M&amp;A, debt and equity capital markets, and principal investments</li><li>• Key specialities in six industry groups: Infrastructure, Utilities and Renewables; Resources (mining and energy); Real Estate; TMET; Industrials and Financial Institutions</li></ul>
<b>Fixed Income, Currencies and Commodities</b>	<ul style="list-style-type: none"><li>• Global fixed income, currencies and commodities provider of finance, risk solutions and market access to producers/consumers and financial institutions/investors</li><li>• Growing presence in physical commodities (natural gas, LNG, NGLs, power, oil, coal, base metals, iron ore, sugar and freight)</li><li>• Predominant in US and Australia, niche offering in Canada and Latin America, growing presence in Asia and EMEA</li><li>• Specialities: commodities, Asian and emerging markets, high yield and distressed debt</li></ul>

# 3Q14 Overview



- Since our 1H14 result announcement, market conditions continued to show signs of improvement, however client activity remains subdued for some capital markets facing businesses
- Macquarie's annuity-style businesses (Macquarie Funds, Banking and Financial Services and Corporate and Asset Finance) continue to perform well with combined Dec 13 qtr net profit contribution<sup>1</sup> up on pcp (Dec 12 qtr) and the prior period (Sep 13 qtr)
- Macquarie's capital markets facing businesses (FICC, Macquarie Securities Group and Macquarie Capital) experienced mixed trading conditions with combined Dec 13 qtr net profit contribution down on pcp and up on the prior period
  - Macquarie Securities and Macquarie Capital experienced increased levels of activity in ECM, particularly in Asia and Australia, although M&A activity levels continue to be subdued
  - FICC: Net profit contribution up on the prior period but down on pcp which was a strong quarter across most FICC businesses

1. Net profit contribution is operating income less operating expenses and is reported before profit share, income tax and unallocated corporate costs.

# Overview: Annuity-style businesses



Operating Group	Market positions	Developments since 1H14
Macquarie Funds	<ul style="list-style-type: none"> <li>• Top 50 global asset manager, Australia's largest global asset manager, top five insurance manager globally</li> <li>• Number one infrastructure investor globally<sup>1</sup> and number one alternative asset manager globally<sup>2</sup></li> <li>• Awarded 10 Lipper Awards in 2013 across the US and Europe<sup>3</sup></li> <li>• Macquarie Professional Series was recognised in the 2013 Professional Planner / Zenith Fund Awards as Product Distributor of the Year<sup>4</sup></li> <li>• Macquarie Asian Alpha Hedge Fund awarded 'Best Market Neutral Hedge Fund' at the 2013 HFM Week Asia Performance Awards and 'Best Market Neutral Hedge Fund' at the 2013 Australian Hedge Fund Awards<sup>5</sup></li> </ul>	<ul style="list-style-type: none"> <li>• AUM \$A430.7b<sup>6</sup> up 13% driven by FX, market movements and acquisitions</li> <li>• MIRA: <ul style="list-style-type: none"> <li>– Raised \$A940m in new equity, largely in US infrastructure<sup>7</sup></li> <li>– Invested \$A1.3b of equity across six countries, including infrastructure in the US, China, Korea and Africa; energy in the UK; and real estate investments in Mexico and China</li> <li>– Divested managed assets of over \$A5.3b<sup>7</sup>, including \$US4.8b divestment of Global Towers Partners; real estate and infrastructure in Korea, and private equity in the US and Australia</li> <li>– Continued to generate performance and base fees</li> <li>– \$A8.7b of equity to deploy<sup>8</sup></li> </ul> </li> <li>• Completed acquisition of ING Investment Management Korea, a top 10 asset manager in Korea with AUM of \$A24.4b<sup>6</sup>. Following the acquisition, Macquarie Funds Group is now Korea's largest foreign asset manager</li> <li>• Macquarie Quant Hedge Funds surpassed \$A2b in AUM</li> <li>• Awarded a mandate to invest in Infrastructure debt on behalf of a top 10 UK Corporate Pension fund with an initial allocation of £200m</li> </ul>
Corporate and Asset Finance	<ul style="list-style-type: none"> <li>• One of the largest providers of motor vehicle finance in Australia</li> <li>• Largest deregulated traditional and smart meter provider in the UK with more than 6.5m meters</li> <li>• One of North America's largest independent lessors of technology equipment</li> <li>• Leading market participant in bespoke primary lending across US, Europe and Australia; niche acquirer of secondary loans on an opportunistic basis</li> </ul>	<ul style="list-style-type: none"> <li>• European Rail leasing business performing well and newly established Macquarie Rotorcraft helicopter leasing business closed its first transactions</li> <li>• Continued growth of energy leasing portfolio, including meters in the UK and more recently started financing solar in Australia. Portfolio of \$A0.9b<sup>6</sup></li> <li>• Mining equipment finance business continues to expand</li> <li>• Continued strong securitisation activity, \$A1.4b of motor vehicle and equipment leases secured during 3Q14</li> <li>• Continuation of portfolio additions in corporate and real estate lending across all geographies; further profit realisations, particularly from European assets</li> </ul>
Banking and Financial Services	<ul style="list-style-type: none"> <li>• Macquarie Mortgages topped two categories in the 2014 Money magazine 'Best of the Best' awards, including 'Best line of credit loans - Bank'</li> <li>• Macquarie Life awarded five star status for sixth consecutive year by Beaton Research – currently the only five star rated insurer in the market</li> </ul>	<ul style="list-style-type: none"> <li>• Australian mortgage portfolio \$A15.8b up 8% on 2Q14, which represents 1% of the Australian mortgage market</li> <li>• Acquired 25% of mortgage aggregator Connective, which has over 1,900 member brokers and a loan book in excess of \$A47b</li> <li>• Wrap platform FUA (which includes the migration of the Perpetual platform in Apr 13) up 6% from 2Q14 to \$A37.3b and up 56% on pcp</li> <li>• Macquarie Life Inforce risk premiums \$A181m up 6% on 2Q14 and up 22% on pcp</li> <li>• Sold 19.9% stake in OzForex via IPO</li> <li>• Sale of Macquarie Private Wealth Canada to Richardson GMP completed in Nov 13</li> </ul>

1. First in Infrastructure Investor magazine's 2013 ranking, based on equity funds raised over a five year period to June 2013. 2. First in Towers Watson 2013 top 100 alternative asset managers ranking, based on total AUM. 3. For more information about these awards, the issuers of the awards, their methodologies, and other important information about these awards please visit [www.macquarie.com.au/mgl/au/mfg/min/about-us/awards](http://www.macquarie.com.au/mgl/au/mfg/min/about-us/awards). 4. In Oct 13 Professional Planner / Zenith awarded the Macquarie Professional Series Product Distributor of the Year. The Professional Planner / Zenith Fund Awards are determined using proprietary methodologies. Fund Awards and ratings are solely statements of opinion and do not represent recommendations to purchase, hold, or sell any securities or make any other investment decisions. 5. Awarded by the Australian Hedge Fund Awards in recognition of outstanding risk-adjusted performance during the 12 months to 31 Aug 13. 6. As at 31 Dec 13. 7. Includes investor commitments and managed asset divestments made in Jan 14. 8. Includes equity raised in Jan 14.

# Overview: Capital market facing businesses



Operating Group	Market positions	Developments since 1H14
<b>Macquarie Securities</b>	<ul style="list-style-type: none"> <li>Global execution and distribution capabilities, with the leading institutional broker franchise for Australian equities</li> <li>No.1 market share for Australia/New Zealand IPOs by number of deals and value<sup>1</sup></li> <li>Ranked as the No.1 Asian Broker for execution quality third year running<sup>2</sup></li> <li>Awarded the Thailand Stock Exchange award for best securities company, and The Trade Asia award for service to Asian based clients for the second year running</li> <li>Recognised by Bloomberg as a top energy forecaster<sup>3</sup></li> <li>Top 3 broker in European commodity ETFs</li> </ul>	<ul style="list-style-type: none"> <li>Increased ECM activity, particularly in Australia and Asia, with deals including OzForex Group Ltd., Cover-More Group Ltd., Dick Smith Holdings Ltd., and YuanShengTai Dairy initial public offerings</li> <li>Commissions in line with prior quarter and up 23% on pcp</li> <li>Arranged and executed structured equity financing deals for Japanese clients, raising approximately ¥9.2b in new equity capital</li> </ul>
<b>Macquarie Capital</b>	<ul style="list-style-type: none"> <li>No.1 in Australia for announced &amp; completed M&amp;A deals<sup>4</sup></li> <li>No.2 in Australia for ECM equity offerings<sup>5</sup></li> <li>No.1 in South East Asia for announced M&amp;A deals<sup>6</sup></li> <li>Most Innovative Deal of the Year (Southeast Asia) – SM Investment Corporation Group's Property Division Reamalgamation<sup>7</sup></li> </ul>	<ul style="list-style-type: none"> <li>ANZ – Joint lead manager on Meridian Energy's \$NZ1.9b IPO on the NZX and ASX, New Zealand's largest ever IPO</li> <li>Asia – Adviser to Shui On Land on the \$US545m sale of a prime Shanghai office asset to China Life</li> <li>Canada – Adviser to Bellatrix Exploration on the \$C576m acquisition of Angle Energy</li> <li>EMEA – Adviser to ESB International on the sale of its 50% shareholding in Marchwood Power to MEAG</li> <li>US – Adviser to SHFL Entertainment on its \$US1.3b sale to Bally Technologies</li> </ul>
<b>FICC</b>	<ul style="list-style-type: none"> <li>Maintained ranking as No.4 US physical gas marketer in North America<sup>8</sup></li> <li>Commodity Business Awards winner                             <ul style="list-style-type: none"> <li>– Excellence in Agriculture &amp; Softs – fourth consecutive year</li> <li>– Excellence in Traded Commodity Markets</li> </ul> </li> <li>Ranked best major currency forecaster by Bloomberg<sup>9</sup></li> <li>No.2 overall market share in ASX24 Futures<sup>10</sup></li> </ul>	<ul style="list-style-type: none"> <li>Stronger client flows and increased opportunities across the global energy platform</li> <li>Subdued credit trading volumes ahead of the holiday period</li> <li>Launched and priced \$A153.4m Sapphire XII securitisation for the Bluestone Group, reflecting improved market conditions for the non-conforming residential mortgage market in Australia</li> </ul>

1. 2013 IPOs > \$A70m. 2. Abel Noser 2013. 3. For the eight quarters ending 31 Dec 13. 4. Thomson CY13 (by number of deals). 5. Bloomberg, Thomson, Dealogic CY13 (by number of deals & deal value). 6. Dealogic, CY13. 7. Alpha Southeast Asia for restructuring of SM Investment Corp. 8. Platts 2013. 9. For the four quarters ending 31 Dec 13. 10. ASX24 Futures volumes for calendar year 2013.

# Distribution of SYD securities to Macquarie shareholders



- Following shareholder approval at our general meeting on 12 Dec 13, the distribution of SYD securities to eligible shareholders was completed in Jan 14. The distribution had the following impact on Macquarie:
  - A gain on distribution of approximately \$A228m was recognised in the income statement
  - Investment securities available for sale reduced by approximately \$A1.3b
  - APRA Basel III regulatory capital surplus reduced by approximately \$A250m after taking into account the release of capital currently held against the investment, profit on distribution and certain other capital initiatives, all of which have been completed. This reduction in capital surplus is consistent with the outstanding balance of the previously announced ordinary share buyback, which has now been cancelled

# Board update



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- John Niland retired as a Director from the boards of Macquarie Group Limited and Macquarie Bank Limited on 31 Dec 13
- Nicola Wakefield Evans joined the Boards of Macquarie Group Limited and Macquarie Bank Limited as an Independent Director on 7 Feb 14
- Nicola is a non executive director on a range of boards and has previously been an advisor to a number of boards. She has 20 years experience as a corporate finance partner of King & Wood Mallesons and over 29 years legal experience. She has significant international experience including being responsible for the development of the international practice and the Hong Kong, China and London offices of Mallesons Stephen Jaques

# Short term outlook



- Summarised below are the outlook statements for each Operating Group
- FY14 results will vary with market conditions, particularly the capital markets facing businesses, some of which continue to experience subdued market conditions

Operating Group	Net profit contribution				
	FY07–FY13 historical range	FY07–FY13 average	FY13	FY14 outlook as announced in Nov 13 <sup>1</sup>	Update to FY14 outlook
Macquarie Funds	\$A0.3b – \$A1.1b	\$A0.7b	\$A0.8b	Up on FY13 due to base and performance fees and impact of FX	No change
Corporate and Asset Finance	\$A0.1b – \$A0.7b <sup>2</sup>	\$A0.4b	\$A0.7b	Up on FY13	No change
Banking and Financial Services	\$A0.1b – \$A0.3b <sup>3,4</sup>	\$A0.2b <sup>4</sup>	\$A0.2b <sup>4</sup>	Broadly in line with FY13	No change
Macquarie Securities	\$A(0.2)b – \$A1.2b	\$A0.4b	\$A(50)m	Up on FY13	No change
Macquarie Capital	\$A(0.1)b – \$A1.6b	\$A0.5b	\$A0.2b	Up on FY13	No change
FICC	\$A0.5b – \$A0.8b	\$A0.6b	\$A0.6b	Down on FY13	Down on FY13, with the potential to be broadly in line with FY13 if recent improvements in market conditions persist
Corporate	<ul style="list-style-type: none"> <li>– Compensation ratio to be consistent with historical levels</li> <li>– Based on present mix of income, currently expect tax rate to be broadly in line with FY13</li> </ul>				

1. Half year results announcement 1 Nov 13. 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. During the half year ended 30 Sep 13, Group Treasury revised internal funding transfer pricing arrangements relating to BFS's deposit and lending activities. Comparatives have been restated to reflect the current methodology.





# Short term outlook

- Consistent with our previous statements to the market, while market volatility makes forecasting difficult, we continue to expect the FY14 net profit contribution<sup>1</sup> from operating groups to be up on FY13
- Tax rate is currently expected to be broadly in line with FY13
- Accordingly, we continue to expect an improved result for FY14 on FY13 provided market conditions for the remainder of FY14 are not worse than FY13
  - In line with previous years, it is currently expected that the second half result will be stronger than the first half
  - The expectation of an increased net profit contribution from operating groups would lead to an improved result for FY14 on FY13 independent of the realised gain relating to the SYD distribution
- Our short term outlook remains subject to a range of challenges including:
  - Market conditions
  - The cost of our continued conservative approach to funding and capital; and
  - Potential regulatory changes and tax uncertainties

1. Net profit contribution is operating income less operating expenses and is reported before profit share, income tax and unallocated corporate costs.

# 13,578<sup>1</sup> staff in over 28 countries



## Europe, Middle East & Africa<sup>2</sup>

Staff: 1,200



## Asia

Staff: 3,408



## Americas

Staff: 2,664<sup>3</sup>



## Australia<sup>4</sup>

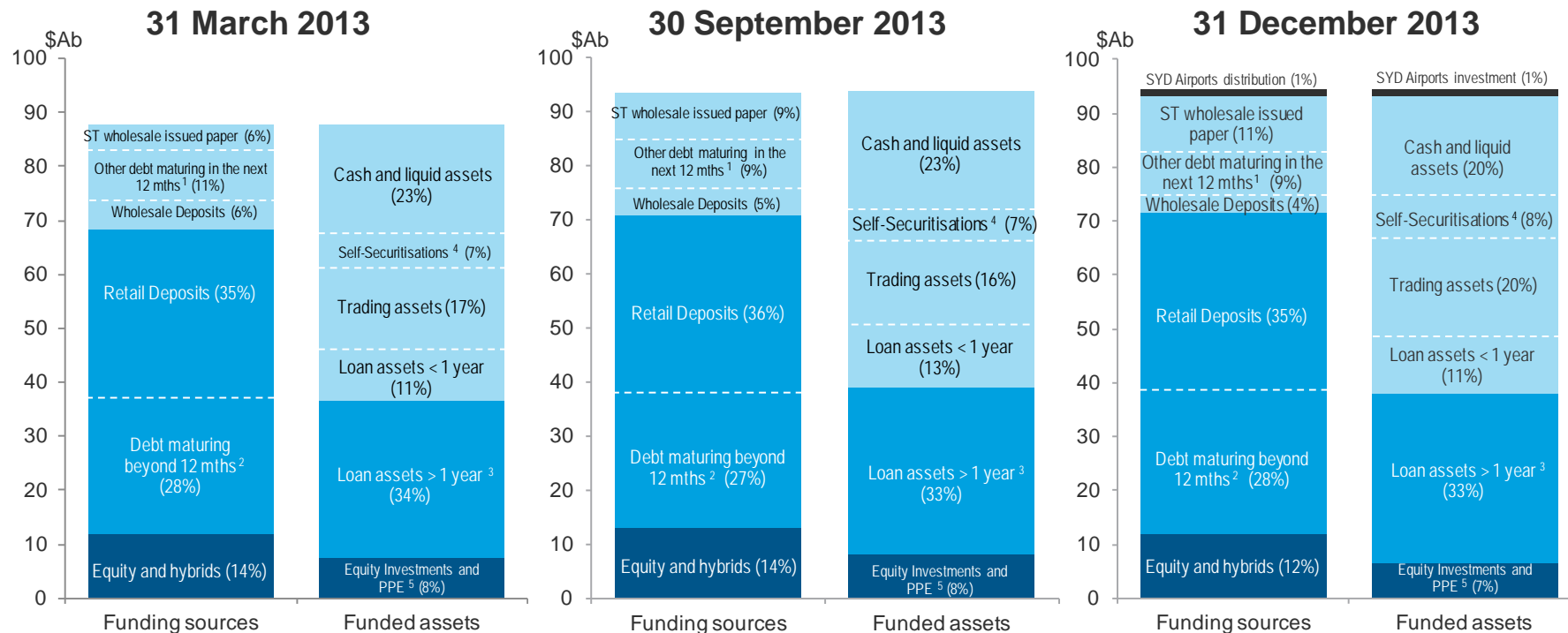
Staff: 6,306

1. Staff numbers as at 31 Dec 13. 2. Excludes staff in Macquarie First South joint venture and staff seconded to Macquarie Renaissance joint venture (Moscow). 3. Decrease of 591 staff from 3,255 at 30 Sep 13 primarily due to the sale of MPW Canada business in Nov 13. 4. Includes New Zealand.

# Funded balance sheet remains strong



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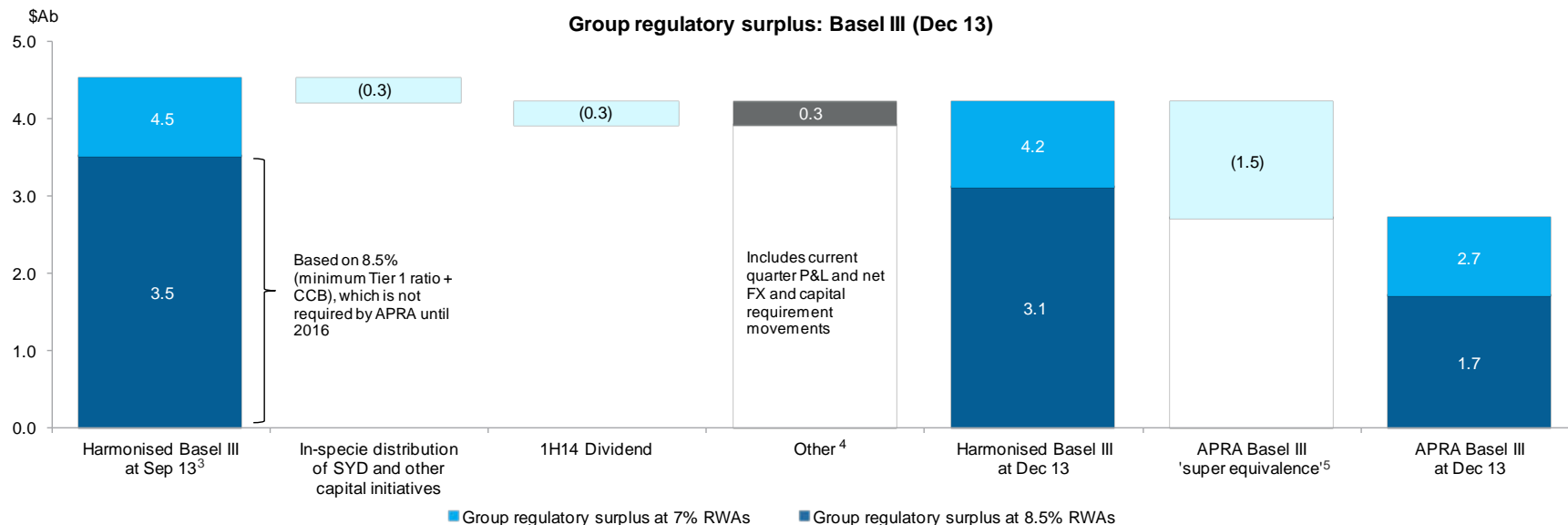


These charts represent Macquarie Group Limited's funded balance sheets at the respective dates noted above. 1. 'Other debt maturing in the next 12 mths' includes Structured Notes, Secured Funding, Bonds, Other Bank Loans maturing within the next 12 months and Net Trade Creditors. 2. 'Debt maturing beyond 12 mths' includes Loan Capital. 3. 'Loan Assets > 1 yr' includes Debt Investment Securities, Net working capital, and Operating Lease Assets. 4. 'Self-Securitisations' includes repo eligible Australian mortgages originated by Macquarie. 5. 'Equity Investments and PPE' includes the Group's co-investments in Macquarie-managed funds and equity investments.

# Basel III capital position



- APRA Basel III Group capital of \$A12.7b, Group surplus of \$A2.7b<sup>1</sup> at Dec 13
- Strong Bank Group APRA Basel III CET1 ratio – Common Equity Tier 1: 9.7%; Tier 1: 10.8%<sup>2</sup>
- Dec 13 Group capital surplus figure includes the impact of the Jan 14 SYD distribution



1. Calculated at 7% RWA. 2. Bank Group Harmonised Basel III ratios – Common Equity Tier 1: 11.7%; Tier 1: 12.7%. 3. 'Harmonised' Basel III estimates assume alignment with BIS in areas where APRA differs from the BIS. 4. Includes the net impact of hedging employed to reduce the sensitivity of the Group's capital position to FX translation movements. 5. APRA Basel III 'super-equivalence' includes full CET1 deductions of equity investments (\$A0.7b); deconsolidated subsidiaries (\$A0.4b); DTAs and other impacts (\$A0.4b).



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# Regulatory update

- In May 2013, APRA issued its draft rules for Conglomerates. Whilst the rules are yet to be finalised, our current assessment is that Macquarie has sufficient capital to meet the minimum APRA capital requirements for Conglomerates, which are expected to be effective from 1 Jan 15
- APRA is yet to publish standards relating to the leverage ratio, requirements for which will apply to MBL only
  - Disclosure required from 1 Jan 15
  - Based on finalised BIS leverage ratio requirements released in Jan 14, MBL is well in excess of the Basel III 3% minimum, with an estimated 5.75%<sup>1</sup> leverage ratio

# Medium term



- Macquarie remains well positioned to deliver superior performance in the medium term
- Deep expertise in major markets
- Build on our strength in diversity and 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 markets facing businesses well positioned to benefit from improvements in market conditions with strong platforms and franchise positions
      - Macquarie Securities, Macquarie Capital and Fixed Income, Currencies and Commodities
- Ongoing benefits of continued cost initiatives
- 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

# Approximate business Basel III Capital & ROE pre SYD distribution

30 September 2013



Operating Group	APRA Basel III Capital <sup>1</sup> @ 8.5% (\$Ab)	Approx. 1H14 Return on Ordinary Equity <sup>2</sup>	
<b>Annuity-style businesses</b>	<b>5.5</b>		<b>Approx. 7-Year Average Return on Ordinary Equity<sup>2</sup></b>
Macquarie Funds Group	2.0	19% <sup>3</sup>	20% <sup>4</sup>
Corporate and Asset Finance	2.4		
Banking and Financial Services	1.1		
<b>Capital markets facing businesses</b>	<b>4.4</b>		<b>Approx. 7-Year Average Return on Ordinary Equity<sup>2</sup></b>
Macquarie Securities	0.6	6%	15%–20%
Macquarie Capital	1.3		
FICC	2.5		
<b>Corporate and Other</b>	<b>1.7</b>		
Legacy Assets	0.9		
Corporate	0.8		
<b>Total regulatory capital requirement @ 8.5%</b>	<b>11.6</b>		
<i>Comprising:</i> Ordinary Equity	9.9		
Hybrid	1.7		
Add: Surplus Ordinary Equity	2.1		
<b>Total APRA Basel III capital supply</b>	<b>13.7</b>		

1. As at 30 Sep 13. 2. NPAT used in the calculation of approx. annualised ROE is based on Operating Group's net profit contribution adjusted for indicative allocations of profit share, tax and other corporate expenses. Accounting equity is attributed to businesses based on regulatory capital requirements. 7-year average covers FY07 to FY13, inclusively. 3. During the half year ended 30 Sep 13, Group Treasury revised internal funding transfer pricing arrangements relating to Banking and Financial Services' deposit and lending activities. 4. CAF excluded from 7-year average as not meaningful given the significant increase in scale of CAF's platform over the 7-year period.

# Medium term



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<b>MFG</b>	<ul style="list-style-type: none"><li>• Annuity-style business that is diversified across regions, products, asset classes and investor types</li><li>• Well positioned for organic growth with several strongly performing products and an efficient operating platform</li><li>• Any improvement in market confidence should lead to increased income from higher margin products</li></ul>
<b>CAF</b>	<ul style="list-style-type: none"><li>• Pursuing growth in the loan and lease portfolio</li><li>• Anticipate further asset realisations at attractive return levels</li><li>• Funding from asset securitisation throughout the cycle</li></ul>
<b>BFS</b>	<ul style="list-style-type: none"><li>• Build on successful intermediary partnerships to continue growing third party distribution in personal banking and wealth management</li><li>• Investing in new technology and digital presence to enhance service offering to clients</li><li>• Opportunities to increase financial services engagement with business banking clients</li></ul>
<b>MSG</b>	<ul style="list-style-type: none"><li>• Highly leveraged to any improvement in market conditions and return of investor confidence</li><li>• Well positioned for recovery in Asian retail derivatives, cash equities and ECM</li><li>• Monetise existing strong research platform</li></ul>
<b>MacCap</b>	<ul style="list-style-type: none"><li>• Can expect to benefit from any improvement in M&amp;A and ECM market activity</li><li>• Continues to align the business footprint to current opportunities and market conditions in each region</li></ul>
<b>FICC</b>	<ul style="list-style-type: none"><li>• Opportunities to grow commodities business, both organically and through acquisition</li><li>• Development of institutional coverage for specialised credit, rates and foreign exchange products</li><li>• Increase financing activities as competitors de-leverage</li><li>• Growing the client base across all regions</li></ul>