



MACQUARIE



Operational Briefing

Presentation to Investors and Analysts

7 February 2017



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Unless otherwise specified all information is as at 31 December 2016.



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Update since the interim result

Nicholas Moore
Managing Director and Chief Executive Officer

About Macquarie

Building for the long term



Macquarie Asset Management	<ul style="list-style-type: none">• Top 50 global asset manager with \$A501.7b¹ 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 tailored investment solutions over funds and listed equities
Corporate and Asset Finance	<ul style="list-style-type: none">• Global provider of specialist finance and asset management solutions, with a \$A37.9b¹ asset and loan portfolio• Global capability in corporate and real estate credit investing and lending• Expertise in asset finance including aircraft, motor vehicles, technology, healthcare, manufacturing, industrial, energy, rail and mining equipment
Banking and Financial Services	<ul style="list-style-type: none">• Macquarie's retail banking and financial services business• Provides a diverse range of personal banking, wealth management and business banking products and services to retail clients, advisers, brokers and business clients
Commodities and Global Markets (formerly Macquarie Securities Group and Commodities and Financial Markets)	<ul style="list-style-type: none">• Integrated, end-to-end offering across global markets including equities, fixed income, foreign exchange and commodities• Provides clients with access to markets, financing, financial hedging and physical execution• Diverse platform covering more than 25 market segments, with more than 160 products• Growing presence in commodities (natural gas, LNG, NGLs, power, oil, coal, base metals, iron ore, sugar and freight)• Global institutional securities house with strong Asia-Pacific foundations covering sales, research, ECM, execution and derivatives and trading activities
Macquarie Capital	<ul style="list-style-type: none">• Global corporate finance capability, including M&A, debt and equity capital markets, and principal investments• Key specialities in six industry groups: Financial Institutions; Industrials; Infrastructure, Utilities and Renewables; Real Estate; Resources (mining and energy); and TMET

3Q17 Overview



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- Satisfactory trading conditions in 3Q17 across the Group
- Macquarie's annuity-style businesses' (Macquarie Asset Management, Corporate and Asset Finance and Banking and Financial Services) combined 3Q17 net profit contribution¹ up on pcp (3Q16)
 - FY17 YTD² net profit contribution slightly down on FY16 YTD which benefited from strong performance fees in Macquarie Asset Management
- Macquarie's capital markets facing businesses' (Commodities and Global Markets and Macquarie Capital) combined 3Q17 net profit contribution down on pcp largely due to subdued Equity Capital Markets (ECM) activity and the timing of transactions in Macquarie Capital
 - FY17 YTD net profit contribution slightly down on FY16 YTD notwithstanding stronger activity across most of the businesses in Commodities and Global Markets except Securities, which benefited from strong Chinese equity market conditions in the prior corresponding period

3Q17 Overview

Annuity-style businesses



	1H17 contribution ¹	Activity during the quarter
Macquarie Asset Management	37%	<ul style="list-style-type: none"> • AUM of \$A501.7b at Dec 16, up 2% on Sep 16 predominately driven by positive FX and market movements • MIRA: \$A1.4b in new equity raised largely in Australian, Global and European Infrastructure funds; \$A1.9b equity invested including infrastructure in the US, Australia, UK and Mexico; and \$A0.6b asset divestments in Germany and Mexico; \$A11.5b of equity to deploy at Dec 16 • MIM awarded \$A1.6b in new, funded institutional mandates across 10 strategies • MIDIS total third party investor commitments over \$A6.1b; closed a number of investments bringing total AUM to \$A3.5b • Top 50 global asset manager, Australia's largest global asset manager
Corporate and Asset Finance	22%	<ul style="list-style-type: none"> • Asset Finance and Lending portfolio of \$A37.9b at Dec 16, broadly in line with Sep 16 • Certain portfolios impacted by unfavourable FX movements largely due to weakening GBP • AWAS and Esanda continue to perform in line with expectations • \$A2.2b of motor vehicle and equipment leases and loans securitised • Lending portfolio additions of \$A0.6b in 3Q17 across both primary and secondary markets equally • Notable realisations included the exit of a toll road investment in Virginia in the US
Banking and Financial Services	11%	<ul style="list-style-type: none"> • Total BFS deposits² of \$A44.2b at Dec 16, up 5% on Sep 16 • Australian mortgage portfolio of \$A28.6b at Dec 16, in line with Sep 16 • Funds on platform of \$A70.5b at Dec 16, up 14% on Sep 16 largely due to the successful migration of the ANZ Oasis wrap super and investment assets onto Macquarie's platform • Business banking loan portfolio of \$A6.5b at Dec 16, up 2% on Sep 16 • iSelect's Home Loans Partner of the Year 2016 for the third consecutive year³

3Q17 Overview

Capital markets facing businesses



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	1H17 contribution ¹	Activity during the quarter
Commodities and Global Markets	21%	<ul style="list-style-type: none"> • Announced the merger of MSG and CFM to create an integrated, end-to-end offering across global markets including equities, fixed income, foreign exchange and commodities; progressing well • Continued strong results across the energy platform, particularly from Global Oil and North American Gas • Increased volatility in agriculture and base metals markets resulted in increased client hedging activity • Strong trading results across financial markets businesses due to volatility associated with macro-economic events • Market conditions continued to impact client volumes in equity markets • Maintained ranking as No.3 US physical gas marketer in North America²
Macquarie Capital	9%	<ul style="list-style-type: none"> • Solid levels of activity, particularly in infrastructure in Australia and the US, with 88 transactions valued at \$A44b completed globally • Exclusive financial advisor on the acquisition of a 50.4% interest in the 99 year lease of Ausgrid for ~\$A16.2b, the largest M&A transaction in ANZ in 2016 and largest infrastructure and utilities M&A transaction in ANZ³ • Advised Capital Stage on the €2b merger with CHORUS Clean Energy, creating one of Europe's largest independent operators of solar and wind parks • Financial advisor, lead left bookrunner and joint lead arranger on acquisition financing for a portfolio of contracted thermal power plants in North America • Sole financial advisor and underwriter on MMG Limited's \$US512m rights issue on the HK Stock Exchange • No.1 in Australia for announced and completed M&A⁴ and No.2 in Australia for ECM deals⁵ • No.1 for Infrastructure/Project Finance advisory in the UK⁶ and No.2 for Infrastructure/Project Finance advisory in Europe and North America⁶

1. Based on 1H17 net profit contribution from operating groups. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. 2. Platts Q3 CY16. 3. Dealogic (any ANZ involvement, announced Infra transaction) data from 1995. 4. Dealogic & Thomson Reuters CY16 (any Australian involvement, by number and value). 5. Thomson Reuters CY16 (by value). 6. InfraDeals CY16.

13,647 staff in over 27 countries



Europe, Middle East & Africa

Staff: 1,463

Europe

Dublin
Frankfurt
Geneva
Glasgow
London
Luxembourg
Madrid
Munich
Paris
Vienna
Zurich

Middle East

Abu Dhabi
Dubai

South Africa

Cape Town
Johannesburg

Asia

Staff: 3,479

Asia

Bangkok
Beijing
Gurugram
Hong Kong
Jakarta
Kuala Lumpur
Manila
Mumbai
Seoul
Shanghai
Singapore
Taipei
Tokyo

Australia

Adelaide
Brisbane
Canberra
Gold Coast
Manly
Melbourne
Parramatta
Perth
Sydney

New Zealand

Auckland

Australia¹

Staff: 6,175

Americas

Staff: 2,530

Canada

Calgary
Montreal
Toronto
Vancouver

USA

Austin
Boca Raton
Boston
Chicago
Denver
Houston
Jacksonville
Los Angeles
Nashville
New York
Philadelphia
San Diego
San Francisco
San Jose

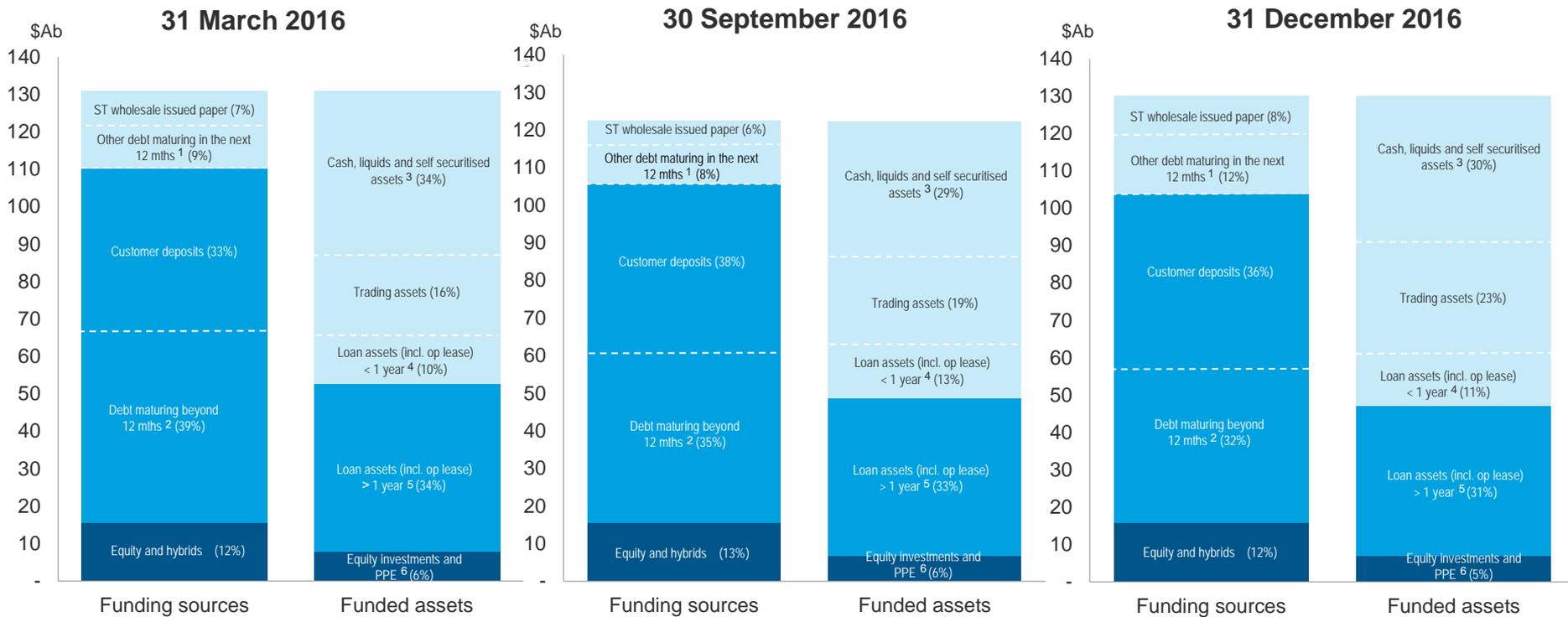
Latin America

Mexico City
Ribeirao Preto
Sao Paulo

Funded balance sheet remains strong



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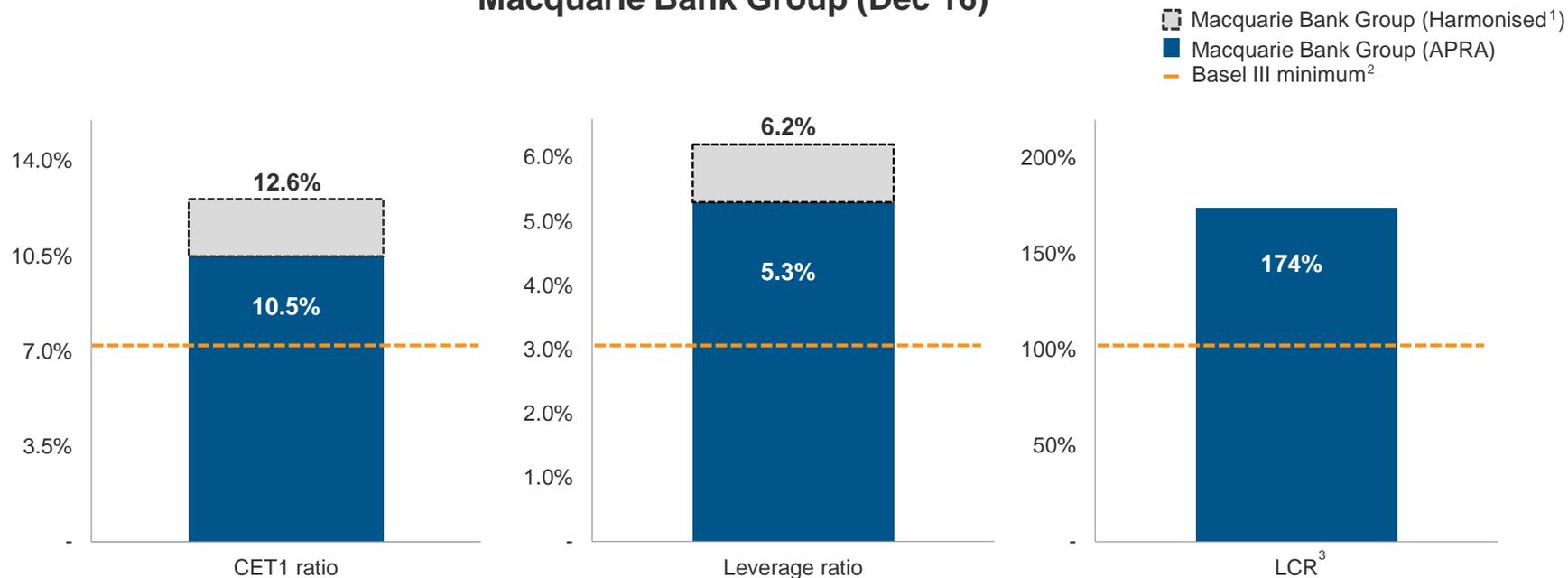


These charts represent Macquarie Group Limited's funded balance sheets at the respective dates noted above. 1. 'Other debt maturing in the next 12 mths' includes Structured Notes, Secured Funding, Bonds, Other Loans, Loan Capital maturing within the next 12 months and Net Trade Creditors. 2. 'Debt maturing beyond 12 mths' includes Loan Capital not maturing within next 12 months. 3. 'Cash, liquids and self securitised assets' includes self securitisation of repo eligible Australian mortgages originated by Macquarie. 4. 'Loan Assets (incl. op lease) < 1 yr' includes Net Trade Debtors. 5. 'Loan Assets (incl. op lease) > 1 yr' includes Debt Investment Securities. 6. 'Equity Investments and PPE' includes the Group's co-investments in Macquarie-managed funds and equity investments.

Strong regulatory ratios



Macquarie Bank Group (Dec 16)



1. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework. 2. Includes the capital conservation buffer in the minimum CET1 ratio requirement. The minimum Basel III leverage ratio requirement of 3% is effective from 1 Jan 18. 3. Average LCR for Dec 16 quarter includes Oct, Nov & Dec month-end observations.

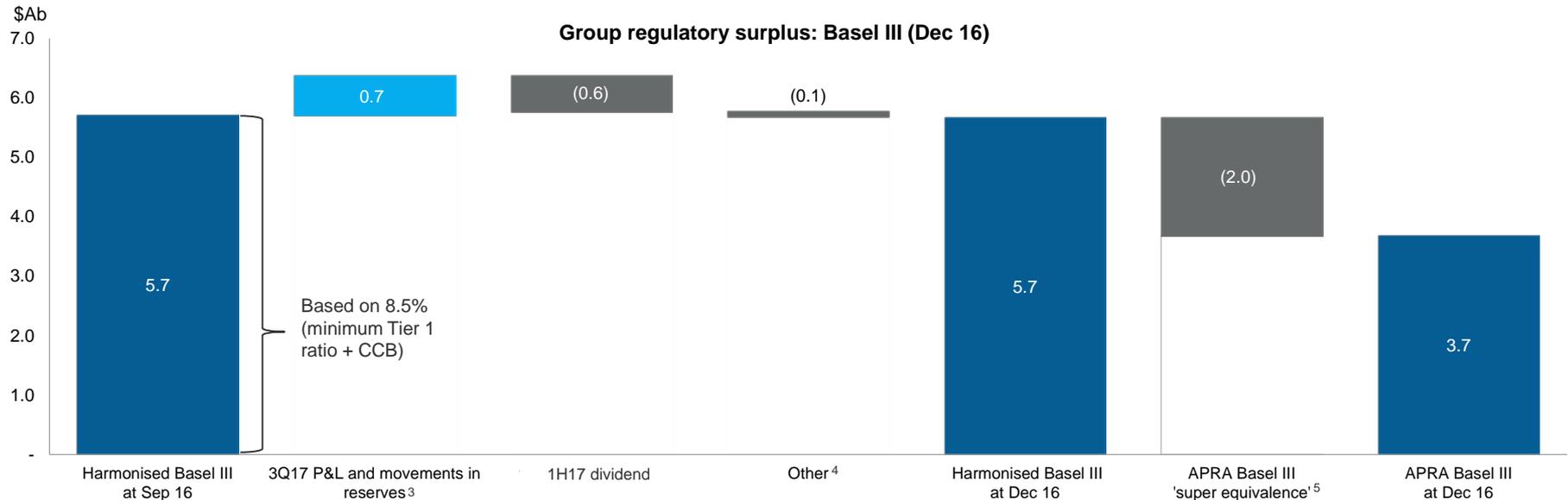


Regulatory update

- Basel Capital Framework
 - The Basel Committee has delayed the finalisation of proposals to amend the calculation of risk weighted assets under Basel III. Any impact on capital will depend upon the final form of the proposals and local implementation by APRA
 - APRA has released a consultation package covering: a new standardised approach for measuring counterparty credit risk exposures on derivatives (SA-CCR); and capital requirements for bank exposures to central counterparties (CCPs)
 - Macquarie is working through the potential capital implications and engaging in APRA's consultation process
- Net Stable Funding Ratio (NSFR)
 - APRA released final NSFR requirements at the end of 2016, however the exact application of certain elements of the standard remains under discussion. The NSFR and associated changes to APRA Prudential Standard 210 will be effective from 1 Jan 18
 - Macquarie continues to expect that it will meet the requirements of the NSFR

Basel III capital position

- APRA Basel III Group capital at Dec 16 of \$A17.5b, Group surplus of \$A3.7b¹
- Bank Group APRA Basel III CET1 ratio: 10.5%; Tier 1 ratio: 11.6%; Leverage ratio: 5.3%
- Bank Group Harmonised Basel III CET1 ratio: 12.6%; Tier 1 ratio: 13.8%; Leverage ratio: 6.2%²



1. Calculated at 8.5% RWA including the capital conservation buffer (CCB), per APRA Prudential Standard 110. The APRA Basel III Group surplus is \$A5.2b calculated at 7% RWA, per the internal minimum Tier 1 ratio of the Bank Group. 2. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework. 3. Excludes foreign currency translation reserve movements. 4. Includes business growth, the net impact of hedging employed to reduce the sensitivity of the Group's capital position to FX translation movements and other movements in capital requirements. 5. APRA Basel III 'super-equivalence' includes the impact of changes in capital requirements in areas where APRA differs from the BCBS Basel III framework and includes full CET1 deductions of equity investments (\$A0.5b); capitalised expenses (\$A0.4b); deconsolidated subsidiaries (\$A0.3b); differences in mortgages treatment (\$A0.5b); DTAs and other impacts (\$A0.3b).

Factors impacting short-term outlook

FY17 combined net profit contribution¹ from operating groups expected to be broadly in line with FY16

Annuity-style businesses

Macquarie Asset Management

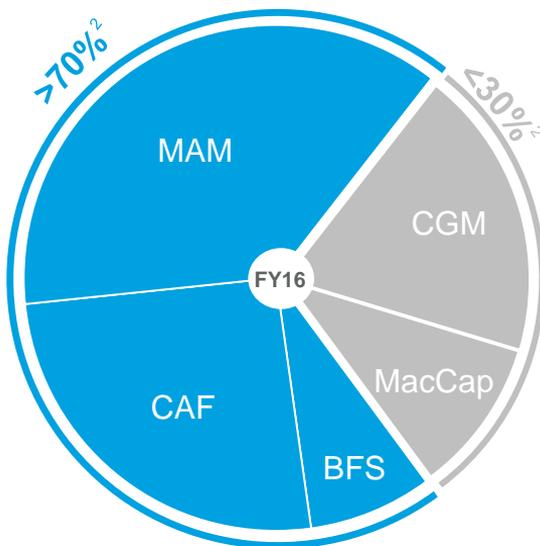
- FY16: \$A1.6b; 1H17 down \$A282m on 1H16
- Lower performance fees expected
- Increased investment-related income expected
- Base fees broadly in line

Corporate and Asset Finance

- FY16: \$A1.1b; 1H17 down \$A90m on 1H16
- First full year contribution from AWAS and Esanda
- Unfavourable FX impact largely due to weakening GBP
- Income from prepayments and realisations in Lending broadly in line with FY16, albeit volumes down

Banking Financial Services

- FY16: \$A0.4b; 1H17 up \$A91m on 1H16
- Growth in Australian mortgage, business banking and deposit books
- Gain on sale of life business partially offset by increased project-related expenses (e.g. Core Banking)



Corporate

- Compensation ratio to be consistent with historical levels
- Based on present mix of income, currently expect FY17 tax rate to be broadly in line with FY16

Capital markets facing businesses

Commodities and Global Markets

- FY16: \$A0.8b; 1H17 down \$A32m on 1H16
- Strong customer base and market volatility expected to drive client flows and revenue across Commodities, Fixed Income and Futures
- Level of impairments expected to fall
- Equity market conditions currently subdued, particularly in Asia

Macquarie Capital

- FY16: \$A0.5b; 1H17 up \$A35m on 1H16
- Market conditions broadly consistent with FY16
- Solid principal realisation pipeline expected
- Level of impairments expected to fall



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Short-term outlook

- We currently expect the FY17 combined net profit contribution¹ from operating groups to be broadly in line with FY16
- The FY17 tax rate is currently expected to be broadly in line with FY16
- Accordingly, the Group's result for FY17 is currently expected to be broadly in line with FY16
- Our short-term outlook remains subject to a range of challenges including:
 - Market conditions
 - The impact of foreign exchange
 - Potential regulatory changes and tax uncertainties

1. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.



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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 Asset Management, Corporate and Asset Finance and Banking and Financial Services
 - Two capital markets facing businesses well positioned to benefit from improvements in market conditions with strong platforms and franchise positions
 - Commodities and Global Markets and Macquarie Capital
- 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



As at 30 Sep 16

Operating Group	APRA Basel III Capital ¹ @ 8.5% (\$Ab)	Approx. 1H17 Return on Ordinary Equity ²	Approx. 10-Year Average Return on Ordinary Equity ²
Annuity-style businesses	8.4		
Macquarie Asset Management	1.5	22%	20% ³
Corporate and Asset Finance	4.6		
Banking and Financial Services	2.3		
Capital markets facing businesses	4.4		
Commodities and Global Markets	2.8	16%	15% - 20%
Macquarie Capital	1.6		
Corporate and Other	0.4		
Legacy Assets	0.0		
Corporate	0.4		
Total regulatory capital requirement @ 8.5%	13.2		
<i>Comprising: Ordinary Equity</i>	<i>11.0</i>		
<i>Hybrid</i>	<i>2.2</i>		
Add: Surplus Ordinary Equity	3.7		
Total APRA Basel III capital supply	16.9		

1. Business Group capital allocations are indicative and are based on allocations as at 30 Jun 16 adjusted for material movements over the Sep 16 quarter. 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. 10-year average covers FY07 to FY16, inclusively. 3. CAF returns prior to FY11 excluded from 10-year average as not meaningful given the significant increase in scale of CAF's platform over this period.

Medium-term



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MAM	<ul style="list-style-type: none">• Annuity-style business that is diversified across regions, products, asset classes and investor types• Diversification of capabilities allows for the business to be well placed to grow assets under management in different market conditions• Well positioned for organic growth with several strongly performing products and an efficient operating platform
CAF	<ul style="list-style-type: none">• Leverage deep industry expertise to maximise growth potential in loan and lease portfolios• Anticipate further asset acquisitions and realisations at attractive return levels• Funding from asset securitisation throughout the cycle
BFS	<ul style="list-style-type: none">• Strong growth opportunities through intermediary distribution, white labelling, platforms and client service• Opportunities to increase financial services engagement with existing business banking clients and extend into adjacent segments• Modernising technology to improve client experience and support growth
CGM	<ul style="list-style-type: none">• Opportunities to grow commodities business, both organically and through acquisition• Development of institutional coverage for specialised credit, rates and foreign exchange products• Increase financing activities• Growing the client base across all regions• Well positioned for a recovery in equity market activity levels through both improved market rankings combined with existing strong research platform and strong market position in Asia
MacCap	<ul style="list-style-type: none">• Can expect to benefit from any improvement in M&A and ECM market activity• Continues to align the business offering to current opportunities and market conditions in each region



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