

Operational Briefing

Presentation to Investors and Analysts

6 February 2018





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Unless otherwise specified all information is as at 31 December 2017.

Update since the interim result

Nicholas Moore – Managing Director and Chief Executive Officer



ABOUT MACQUARIE

Building for the long term



Annuity-style businesses	<p>Macquarie Asset Management (MAM)</p> <ul style="list-style-type: none"> • Top 50 global asset manager with \$A483.5b¹ of assets under management • Provides clients with access to a diverse range of capabilities and products, including infrastructure, real assets, equities, fixed income, liquid alternatives and multi-asset investment management solutions
	<p>Corporate and Asset Finance (CAF)</p> <ul style="list-style-type: none"> • Global provider of specialist finance and asset management solutions, with a \$A34.6b¹ asset and loan portfolio • Asset Finance has global expertise in aircraft, vehicles, technology, healthcare, manufacturing, industrial, energy, rail, and mining equipment • Principal Finance provides flexible primary financing solutions and engages in secondary market investing, across the capital structure. It operates globally in both corporate and real estate sectors
	<p>Banking and Financial Services (BFS)</p> <ul style="list-style-type: none"> • Macquarie's retail banking and financial services business with a \$A39.0b¹ Australian loan portfolio, funds on platform² of \$A85.3b¹ and total BFS deposits³ of \$A46.3b¹ • Provides a diverse range of personal banking, wealth management and business banking products and services to retail clients, advisers, brokers and business clients
Capital markets facing businesses	<p>Commodities and Global Markets (CGM)</p> <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 risk and capital solutions across physical and financial markets • 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
	<p>Macquarie Capital (MacCap)</p> <ul style="list-style-type: none"> • Global capability across Infrastructure & Energy, Real Estate, Telecommunications, Media, Entertainment & Technology, Resources, Industrials and Financial Institutions in: M&A Advisory; Equity and Debt Capital Markets; and Principal Investments • Focus on investing Macquarie's balance sheet as Principal to develop and create assets, platforms and businesses in the Infrastructure, Energy and Real Estate sectors and partnering primarily with financial sponsor clients to provide capital solutions, particularly in the Technology sector



3Q18 Overview

- Satisfactory trading conditions in 3Q18 across the Group
- Macquarie's annuity-style businesses' (Macquarie Asset Management, Corporate and Asset Finance and Banking and Financial Services) combined 3Q18 net profit contribution¹ slightly up on pcp (3Q17)
 - FY18 YTD² net profit contribution up on FY17 YTD mainly due to: strong performance fees in MAM, timing of transactions in CAF Principal Finance, and continued growth in BFS
- Macquarie's capital markets facing businesses' (Commodities and Global Markets and Macquarie Capital) combined 3Q18 net profit contribution down on pcp primarily due to timing of income recognition associated with transportation and storage agreements within the CGM business
 - FY18 YTD net profit contribution down on FY17 YTD primarily due to timing of income recognition associated with transportation and storage agreements within the CGM business



3Q18 Overview

Annuity-style businesses

	1H18 contribution ¹	Activity during the quarter
Macquarie Asset Management	45%	<ul style="list-style-type: none"> • AUM of \$A483.5b at Dec 17, up 2% on Sep 17 predominately driven by positive market movements and foreign exchange • MIRA: Over \$A7.1b in new equity raised in 3Q18 including \$A3.9b in Asia and \$A2.0b in Europe; \$A4.1b equity invested including infrastructure in Europe, Asia, Australia and the US as well as agriculture in Australia; and \$A3.9b asset divestments in Denmark, France, the US and Korea; \$A15.1b of equity to deploy at Dec 17 • MIM awarded \$A4.6b in new, funded institutional mandates and contributions across 35 strategies • MIDIS total third party investor commitments increased to over \$A8.2b; closed a number of investments bringing total AUM to \$A5.8b • Reached agreement to acquire GLL Real Estate Partners², a ~\$A10b³ German-based manager of real estate assets in Europe and the Americas • Top 50 global asset manager, Australia's largest global asset manager
Corporate and Asset Finance	23%	<ul style="list-style-type: none"> • Asset Finance and Principal Finance portfolio of \$A34.6b at Dec 17, broadly in line with Sep 17 • Asset Finance originations in line with expectations • Principal Finance portfolio additions of \$A0.1b in 3Q18 • Notable realisations included the sale of Principal Finance's investments in a UK rooftop solar platform, a UK care homes and supported living business, and a US power plant in North Dakota
Banking and Financial Services	11%	<ul style="list-style-type: none"> • Total BFS deposits⁴ of \$A46.3b at Dec 17, broadly in line with Sep 17 • Australian mortgage portfolio of \$A31.2b at Dec 17 up 4% on Sep 17 • Funds on platform⁵ of \$A85.3b at Dec 17 up 8% on Sep 17 • Business banking loan portfolio of \$A7.2b, up 1% on Sep 17 • Named Best Digital Banking Offering and Most Innovative Card Product at the 2017 Australian Retail Banking Awards • Awarded Best Cash and Term Deposits at the 2017 SMSF Awards and Core Data SMSF Service Provider Awards

1. Based on 1H18 net profit contribution from operating groups. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. 2. Signed 4 Feb 18. Subject to certain closing conditions including regulatory approval. 3. As at 30 Jun 17, converted using spot FX rate as at 30 Jun 17. 4. BFS deposits exclude corporate/wholesale deposits. 5. Funds on platform includes Macquarie Wrap and Vision.



3Q18 Overview

Capital markets facing businesses

	1H18 contribution ¹	Activity during the quarter
Commodities and Global Markets	14%	<ul style="list-style-type: none"> • Stronger results in North American Gas and Power, while lower volatility impacted client hedging activity and trading results in Global Oil and Metals • Despite volatility being subdued in foreign exchange and interest rates, client activity in derivatives remained solid, particularly in Japan and North America • Increased market turnover led to improved brokerage income in Asian equities • Ranked No. 2 US physical gas marketer in North America – the highest ranked non-producer²
Macquarie Capital	7%	<ul style="list-style-type: none"> • Strong levels of activity with 107 transactions completed globally in the quarter valued at \$A35b, up on pcp (by number), driven primarily by advisory activity in Infrastructure and Energy, and advisory and DCM activity in Americas and Europe • Joint lead manager and underwriter on Transurban Group's \$A1.9b fully underwritten pro rata accelerated renounceable entitlement offer, the largest publically-distributed ANZ new equity issue of 2017³ • Raised over \$US1.7b in equity commitments for Macquarie Capital sponsored real estate logistics platforms globally to be invested in India, China, UK and Australia • GIG announced several low carbon infrastructure transactions during the quarter, including acting as financial advisor, 50% equity investor and development partner in the 650MW Markbygden Wind Farm in Sweden, allowing development of the largest single-site wind farm in Europe (circa €800m total capital raise)⁴ • Financial advisor to Centerbridge Partners on its acquisition of Davis Vision and joint bookrunner and joint lead arranger on the \$US985m financing • No. 1 in Australia for completed M&A⁵ and No. 2 in Australia for ECM deals⁶ • No. 1 for Global Infrastructure Finance Advisor⁷, No. 1 Renewables Financial Advisor⁸ and No. 1 for US LBO Loans - Technology⁹



14,234 staff in over 25 countries

Europe, Middle East and Africa

STAFF
1,707

EUROPE

Dublin
Edinburgh
Frankfurt
Geneva
London
Luxembourg

Madrid
Munich
Paris
Reading
Vienna
Zurich

MIDDLE EAST

Abu Dhabi
Dubai
SOUTH AFRICA
Cape Town
Johannesburg

Asia

STAFF
3,404

ASIA

Bangkok
Beijing
Gurugram
Hong Kong

Jakarta
Kuala Lumpur
Manila
Mumbai
Seoul

Shanghai
Singapore
Taipei
Tokyo

Americas

STAFF
2,608

CANADA

Calgary
Montreal
Toronto
Vancouver
LATIN AMERICA
Mexico City
Ribeirao Preto
Sao Paulo

USA

Austin
Boca Raton
Boston
Chicago
Denver
Houston
Jacksonville
Los Angeles

Minneapolis
Nashville
New York
Philadelphia
San Diego
San Francisco
San Jose

Australia¹

STAFF
6,515

AUSTRALIA

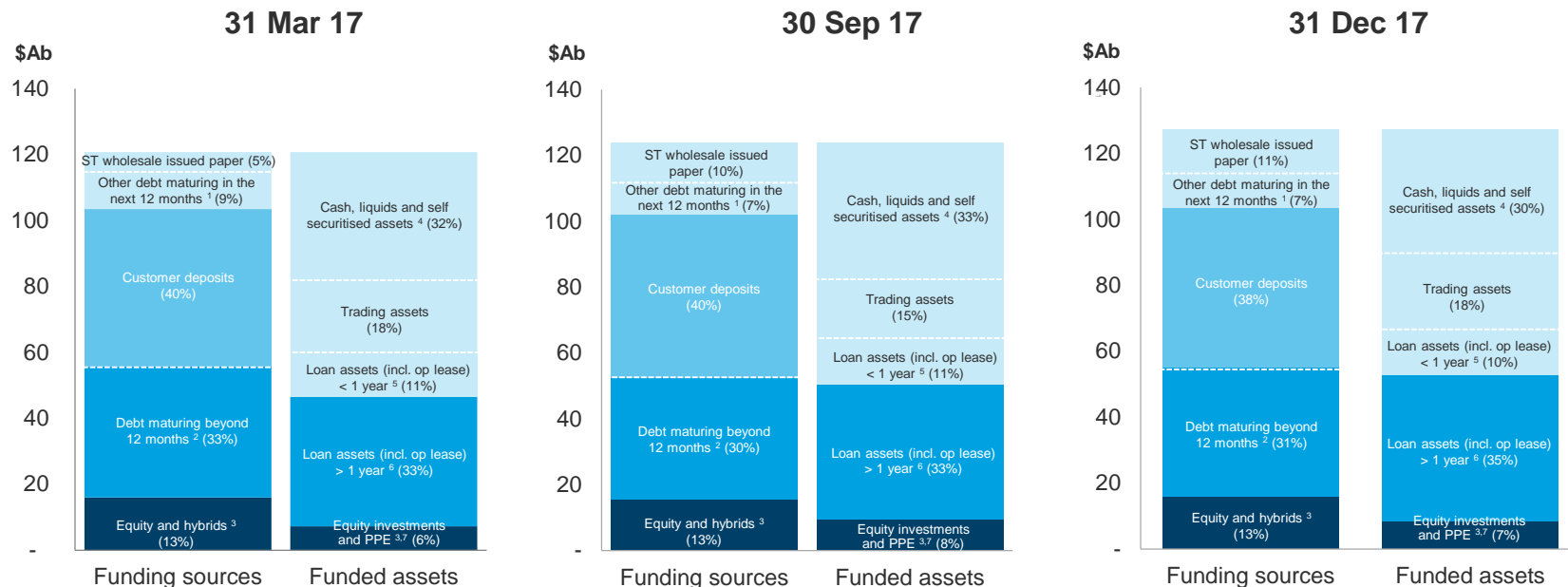
Adelaide
Brisbane
Canberra
Gold Coast
Manly
Melbourne
Newcastle
Parramatta
Perth
Sydney

NEW ZEALAND

Auckland



Funded balance sheet remains strong

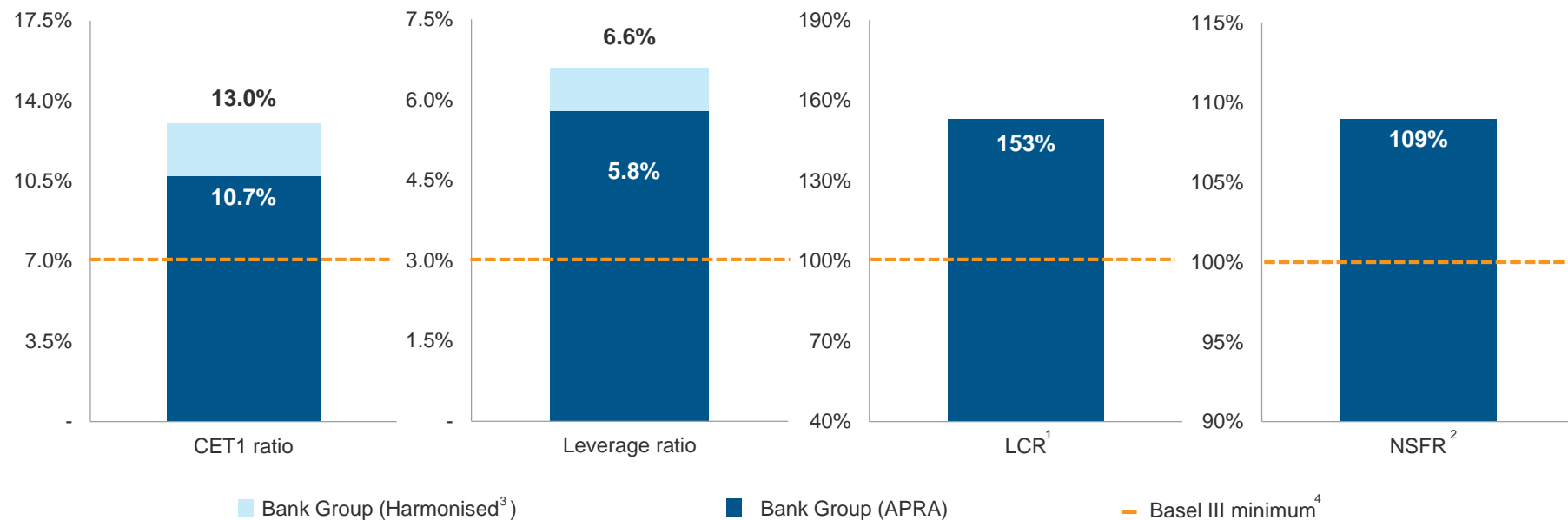


These charts represent Macquarie's funded balance sheets at the respective dates noted above. 1. 'Other debt maturing in the next 12 months' includes Structured Notes, Secured Funding, Bonds, Other Loans, Loan Capital maturing within the next 12 months and Net Trade Creditors. 2. 'Debt maturing beyond 12 months' includes Loan Capital not maturing within next 12 months. 3. Non-controlling interests netted down in 'Equity and hybrids' and 'Equity Investments and PPE'. 4. 'Cash, liquids and self securitised assets' includes self securitisation of RBA repo eligible Australian mortgages originated by Macquarie. 5. 'Loan Assets (incl. op lease) < 1 year' includes Net Trade Debtors. 6. 'Loan Assets (incl. op lease) > 1 year' includes Debt Investment Securities. 7. 'Equity Investments and PPE' includes Macquarie's co-investments in Macquarie-managed funds and equity investments.



Strong regulatory ratios

Bank Group (Dec 17)

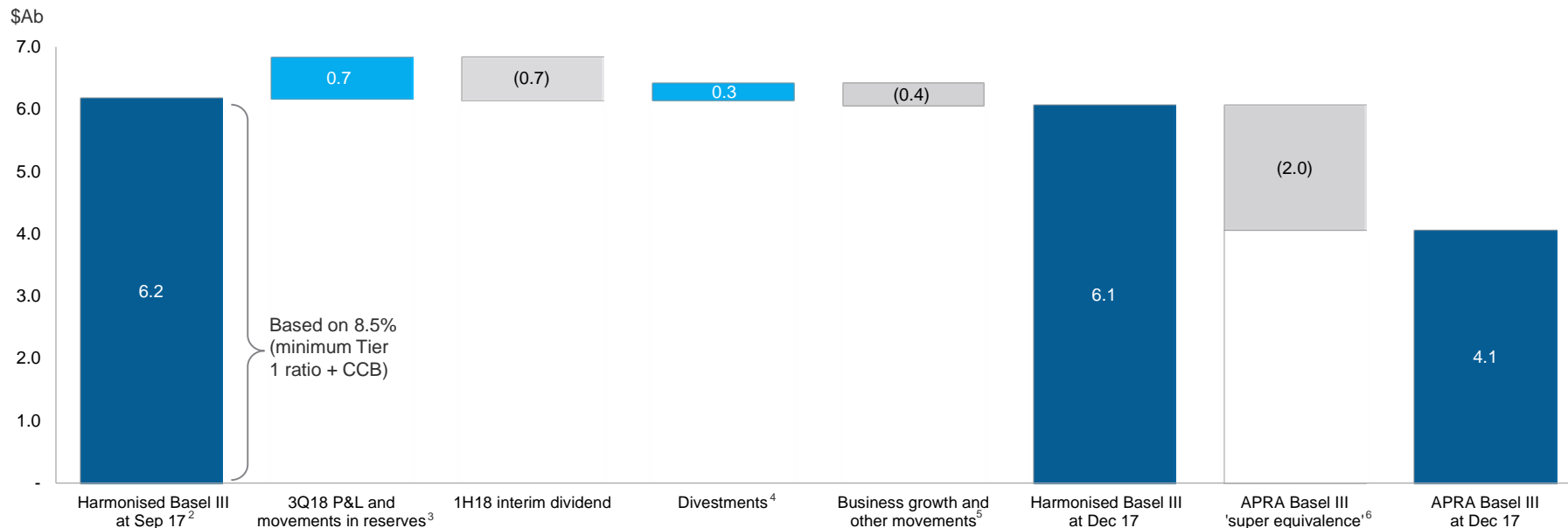


1. Average LCR for Dec 17 quarter is based on an average of daily observations. 2. APRA released final NSFR requirements at the end of 2016. The NSFR and associated changes to APRA ADI Prudential Standard 210 will be effective from 1 Jan 18. 3. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework. 4. Includes the capital conservation buffer in the minimum CET1 ratio requirement. The minimum BCBS Basel III leverage ratio requirement of 3% is effective from 1 Jan 18.



Basel III capital position

- APRA Basel III Group capital at Dec 17 of \$A18.2b, Group capital surplus of \$A4.1b¹



1. Calculated at 8.5% RWA including the capital conservation buffer (CCB), per APRA ADI Prudential Standard 110. The APRA Basel III Group capital surplus is \$A5.4b 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. 4. Includes Macquarie Atlas Roads \$A0.2b. 5. Includes the net impact of hedging employed to reduce the sensitivity of the Group's capital position to FX translation movements. 6. 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 for equity investments (\$A0.6b); differences in mortgages treatment (\$A0.6b); capitalised expenses (\$A0.5b); investment into deconsolidated subsidiaries (\$A0.2b); DTAs and other impacts (\$A0.1b).



Regulatory and capital management update

- Regulatory capital
 - In Jul 17 APRA provided guidance on the level of CET1 capital ratios for Australian banks to be considered ‘unquestionably strong’¹
 - In Dec 17 the Basel Committee finalised reforms to amend the calculation of certain risk weighted assets under Basel III
 - APRA has reaffirmed that its ‘unquestionably strong’ guidance is intended to cover the impact of the finalisation of Basel III
 - APRA intends to release further details on how the new requirements will be implemented in 2018, with expected implementation from 1 Jan 20²
 - Based on existing guidance, Macquarie’s surplus capital position remains sufficient to accommodate any additional requirements
- Share buyback
 - No buying occurred during 3Q18. Macquarie’s share buyback program remains in place



US tax reform

- Following changes to US corporate tax effective 1 Jan 18, and based on information available, Macquarie currently expects that there will be no material impact to FY18 NPAT
- Post 31 Mar 18, Macquarie's US effective tax rate is expected to reduce by approximately 25%
- In the medium term, the impact to Macquarie will be determined by the proportional contribution of earnings from the US in relation to the Group's overall result
 - Based on past performance, Macquarie estimates a reduction of approximately 3-4% in the Group's historical effective tax rate



Factors impacting short-term outlook

FY18 combined net profit contribution from operating groups expected to be slightly up on FY17

Annuity-style businesses

Macquarie Asset Management

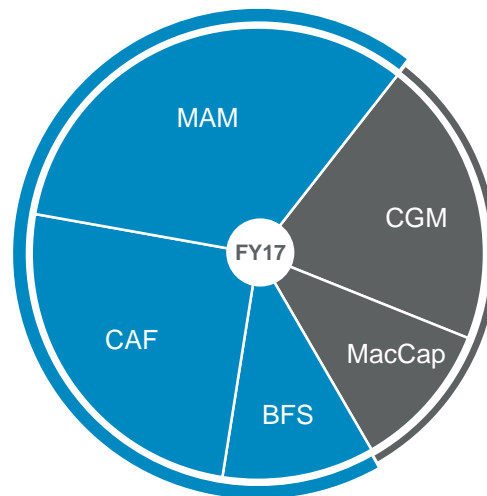
- FY17: \$A1.5b down 6% on FY16
- Base fees expected to be broadly in line
- 2H18 performance fees expected to be lower than 1H18

Corporate and Asset Finance

- FY17: \$A1.2b up 6% on FY16
- Leasing book broadly in line
- Reduced loan volumes in Principal Finance
- Timing and level of early prepayments and realisations in Principal Finance

Banking and Financial Services

- FY17: \$A0.5b up 47% on FY16
- Higher loan portfolio, deposit and platform volumes



Capital markets facing businesses

Commodities and Global Markets

- FY17: \$A1.0b up 15% on FY16
- Strong customer base expected to drive consistent flow across Commodities, Fixed Income and Futures
- Lower levels of impairments and investment-related income expected
- Improved result in equities

Macquarie Capital

- FY17: \$A0.5b up 7% on FY16
- Assume market conditions broadly consistent with 1H18
- Solid pipeline of Principal realisations expected

Corporate

- Compensation ratio to be consistent with historical levels
- Based on present mix of income, currently expect FY18 effective tax rate to be broadly in line with 1H18



Short-term outlook

- We currently expect the FY18 combined net profit contribution¹ from operating groups to be slightly up on FY17
- Given substantial performance fees were recognised in 1H18, we expect the 2H18 net profit contribution¹ from operating groups to be down on 1H18 and broadly in line with 2H17
- The FY18 effective tax rate is currently expected to be broadly in line with 1H18
- Accordingly, the Group's result for FY18 is currently expected to be up approximately 10% on FY17
- Our short-term outlook remains subject to:
 - Market conditions
 - The impact of foreign exchange
 - Potential regulatory changes and tax uncertainties
 - The completion rate of transactions and the conduct of period end reviews

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



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 17

Operating Group	APRA Basel III Capital ¹ @ 8.5% (\$Ab)	Approximate 1H18 Return on Ordinary Equity ²	Approximate 11-Year Average Return on Ordinary Equity ²
Annuity-style businesses	8.6		
Macquarie Asset Management	2.0	28%	20% ³
Corporate and Asset Finance	4.2		
Banking and Financial Services	2.4		
Capital markets facing businesses	5.3		
Commodities and Global Markets	3.0	11%	15% - 20%
Macquarie Capital	2.3		
Total regulatory capital requirement @ 8.5%	13.9		
Group surplus	4.2		
Total APRA Basel III capital supply	18.1⁴		

1. Business Group capital allocations are indicative and are based on allocations as at 30 Jun 17 adjusted for material movements over the Sep 17 quarter. 2. NPAT used in the calculation of approximate 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. 11-year average covers FY07 to FY17, inclusive. 3. CAF returns prior to FY11 are excluded from the 11-year average as they are not meaningful given the significant increase in scale of CAF's platform over this period. 4. Comprising of \$A15.4b of ordinary equity and \$A2.7b of hybrids.



Medium-term

Annuity-style businesses	<p>Macquarie Asset Management (MAM)</p> <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
	<p>Corporate and Asset Finance (CAF)</p> <ul style="list-style-type: none"> • Leverage deep industry expertise to maximise growth potential in asset and loan portfolio • Positioned for further asset acquisitions and realisations, subject to market conditions • Funding from asset securitisation throughout the cycle
	<p>Banking and Financial Services (BFS)</p> <ul style="list-style-type: none"> • Strong growth opportunities through intermediary and direct retail client 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
Capital markets facing businesses	<p>Commodities and Global Markets (CGM)</p> <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 markets activity by leveraging a strong market position in Asia-Pacific through investment in the equities platform and further integration of the business across CGM
	<p>Macquarie Capital (MacCap)</p> <ul style="list-style-type: none"> • Positioned to benefit from any improvement in M&A and capital markets activity • Continues to tailor the business offering to current opportunities, market conditions and strengths in each region

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