MACQUARIE GROUP LIMITED ACN 122 169 279

APPENDIX 4E PRELIMINARY FINAL REPORT

YEAR ENDED 31 MARCH 2010

MACQUARIE

Macquarie Group Limited
Appendix 4E Preliminary Final Report for the financial year ended 31 March 2010

1. Details of the reporting period and the previous corresponding period

Current period: 1 April 2009 to 31 March 2010

Prior corresponding period: 1 April 2008 to 31 March 2009

2. Results for announcement to the market

	Key information	Year ended 31 March 2010 $m	Year ended 31 March 2009 $m	Change %
2.1	Net operating income	6,638	5,526	20%
2.2	Profit from ordinary activities after tax	1,093	974	12%
2.3	Profit attributable to ordinary equity holders of Macquarie Group Limited	1,050	871	21%

2.4 Dividends	Amount per Security	Franked amount per security
Interim dividend	86 cents	Nil%
Final dividend (declared, not yet provided at 31 March 2010)	100 cents	Nil%

2.5 Record date for determining entitlements to the dividends

Record date for the final ordinary dividend is 14 May 2010.

2.6 Commentary

The financial report for the year ended 31 March 2010, and the results reported herein, are prepared in accordance with Australian Accounting Standards (which includes Australian Interpretations by virtue of AASB 1048), the Corporations Act 2001 and the Banking Act 1959. Compliance with Australian Accounting Standards ensures that the financial report complies with International Financial Reporting Standards.

Review of operations and financial result

Consolidated net profit after income tax attributable to ordinary equity holders for the year ended 31 March 2010 was $1,050 million, a 21 percent increase from $871 million in the prior year.

The effective tax rate for the year ended 31 March 2010 was 16 percent, up from 2 percent in the prior year. The increase was largely due to a lower level of write-downs and impairment charges in the year to 31 March 2010 compared to the prior year.

The effective tax rate before the impact of write-downs and impairment charges is relatively stable compared to the prior year.

The year ended 31 March 2010 included significant write-downs, impairment charges, net equity accounted losses ($854 million), negative fair value adjustment on fixed rate issued debt ($255 million), gains from liability management (Macquarie Income Preferred Securities, $127 million and subordinated debt, $55 million) and gains from fund initiatives totalling $539 million. During the year the consolidated entity acquired Tristone Capital (August 2009), Fox-Pitt Kelton Cochran Caronia Waller (November 2009), Blackmont Capital (December 2010) and Delaware Investments (January 2010).

Earnings per share increased from $3.10 in the prior year to $3.20 for the year ended 31 March 2010. The final dividend of $1.00 per share unfranked, brings the total dividends for the year ended 31 March 2010 to $1.86 per share unfranked, up from $1.85 per share in the prior year, and resulted in a full year dividend payout ratio of 60 percent.

In May 2009 the consolidated entity undertook a $540 million capital raising via an institutional private placement, and in June 2009 completed a $669 million share purchase plan. These capital initiatives, combined with the increase in profit attributable to ordinary equity holders, resulted in a return on equity for the year ended 31 March 2010 of 10.0 percent, up from 9.9 percent for the prior year.

Total operating income for the year ended 31 March 2010 was $6,638 million, a 20 percent increase on the prior year's operating income of $5,526 million. The main drivers of this change were increased operating income from Fixed Income, Currencies and Commodities and the cash equities business in Macquarie Securities Group, combined with an overall reduction in the level of write-downs, impairment charges and net equity accounted losses.

Total operating expenses for the year ended 31 March 2010 were $5,344 million, an increase of 18 percent from $4,537 million in the prior year. The change was largely driven by a 31 percent increase in employment costs, which also resulted in an increase to the compensation ratio from 40.7 percent in the prior year to 42.9 percent for the year to 31 March 2010.

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Review of operations and financial result continued

Assets under Management (AUM) of $325.7 billion at 31 March 2010 increased 34 percent from $243.1 billion at 31 March 2009. The increase was driven by Macquarie Funds Group's acquisition of Delaware Investments, which added $151.1 billion to assets under management at 31 March 2010. This was offset by a reduction in AUM due to fund initiatives including Macquarie Airports, Macquarie Infrastructure Group and the sale of Real Estate assets to Charter Hall. The strengthening of the Australian dollar against major global currencies resulted in lower asset values for offshore assets.

Review of financial position

Macquarie Group's liquidity risk management framework operated effectively throughout the year ensuring funding requirements were met and sufficient liquidity was maintained, despite the challenging credit market conditions. Cash and liquid assets decreased from $30 billion at 31 March 2009 to $22 billion at 31 March 2010. Cash and liquid asset holdings now represent over 30 per cent of Macquarie Group's net funded assets.

The consolidated entity's capital management policy is to be conservatively capitalised and to maintain diversified funding sources in order to support business initiatives, particularly specialised funds and offshore expansion, whilst maintaining counterparty and client confidence.

As an Australian Prudential Regulation Authority (APRA) authorised and regulated non-operating holding company (NOHC), Macquarie is required to hold adequate regulatory capital to cover the risks for the whole Macquarie Group, including the Non–Banking Group. APRA is still developing its policy framework for supervising NOHCs. Macquarie and APRA have agreed an interim capital adequacy framework for Macquarie, based on Macquarie Group's Board–approved Economic Capital Model and APRA's capital standards for ADIs. This will apply until APRA's capital rules for NOHCs are finalised and implemented.

Macquarie Group's capital adequacy framework requires it to maintain minimum regulatory capital requirements ('Level 3 MCR') calculated as the sum of the dollar value of:

- MBL's minimum Tier 1 capital requirement, based on a percentage of risk weighted assets (RWAs) plus Tier 1 deductions (using prevailing APRA ADI Prudential Standards);
- The Non–ADI Group capital requirement, using Macquarie Group's Economic Capital Adequacy Model adjusted for the capital impact of transactions internal to the Macquarie Group.

The consolidated entity has satisfied its externally imposed capital requirements throughout the year. At 31 March 2010, the Macquarie Bank consolidated entity had a Tier 1 Capital Ratio of 11.5 per cent and a total capital ratio of 13.3 per cent. The Macquarie consolidated entity remains well capitalised with $4.0 billion of eligible capital in excess of the Level 3 MCR.

Events subsequent to balance date

Following approval by unitholders on 22 April 2010, investments in the Macquarie Cash Management Trust (CMT) will be converted to an at call account with Macquarie Bank. The conversion is scheduled to take place in July 2010. At the current time, total funds under management in the Macquarie CMT are $10 billion. The funds transferred to the consolidated entity will form part of the consolidated entity's overall funding pool.

At the date of this report, the Directors are not aware of any other matter or circumstance which has arisen that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the financial years subsequent to 31 March 2010 not otherwise disclosed in this report.

3 Consolidated statement of financial position

Refer to the 2010 Financial Report.

4 Consolidated income statement

Refer to the 2010 Financial Report.

5 Consolidated statement of cash flows

Refer to the 2010 Financial Report.

6 Dividend details

	Year ended 31 March 2010 $m	Year ended 31 March 2009 $m
Ordinary share capital		
2010 interim dividend paid:		
86 (2009: 145) cents per share [1]	287	410
2009 final dividend paid:		
40 (2008: 200) cents per share [2]	122	552

[1] Interim dividend paid by the consolidated entity includes $1 million (2009:$2 million) of dividends paid to the holders of exchangeable shares.

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[2] Final dividend paid by the consolidated entity includes $1 million (2009:$3 million) of dividends paid to the holders of exchangeable shares.

The final dividend paid during the financial year was 60 per cent franked at the 30 per cent corporate tax rate (full year to 31 March 2009: 100 per cent franked at 30 per cent corporate tax rate). The interim dividend paid during the financial year was unfranked (half year to 31 March 2009: 80 per cent franked at the 30 per cent corporate tax rate). The dividends paid to holders of exchangeable shares were not franked.

There is no provision for a final dividend in respect of the financial year ended 31 March 2010. Provisions for dividends to be paid by the Company are recognised on the balance sheet as a liability and a reduction in retained earnings when the dividend has been declared.

Since the end of the financial year the Directors have recommended the payment of the 2010 final dividend of $1.00 per fully paid ordinary share unfranked. The entire unfranked portion of the dividend is Conduit Foreign Income. The aggregate amount of the proposed dividend is expected to be paid on 2 July 2010 from retained profits at 31 March 2010, but not recognised as a liability at the end of the financial year, is $347 million (including $3 million to be paid by a subsidiary to the holders of the exchangeable shares). This amount has been estimated based on the number of shares eligible to participate as at 31 March 2010.

Macquarie Income Securities

Distributions paid during the financial year ended 31 March 2010 (net of distributions previously provided) were $16 million (2009: $28 million). Distributions provided at 31 March 2010 were $5 million (2009: $5 million) which were paid on 15 April 2010.

Macquarie Income Preferred Securities

Distributions paid during the financial year ended 31 March 2010 (net of distributions previously provided) were $6 million (2009: $33 million). Distributions provided at 31 March 2010 were $2 million (2009: $12 million) which were paid on 15 April 2010.

The Macquarie Income Preferred Securities and Macquarie Income Securities represent a minority interest of a subsidiary. Accordingly, the distributions paid/provided in respect of these are recorded as a movement in minority interest.

7 Dividend or distribution reinvestment plan details

The Company's Dividend Reinvestment Plan ("DRP") remains activated. The DRP is optional and offers ordinary shareholders in Australia and New Zealand the opportunity to acquire fully paid ordinary shares in the Company, without transaction costs, at the prevailing market price. The previous discount of 2.5 per cent to the market value has been removed. A shareholder can elect to participate in or terminate their involvement in the DRP at any time. Election notices for participation in the DRP in relation to the final dividend to be paid on 2 July 2010 must be received by the registry by 5:00 pm on 14 May 2010 to be effective for that dividend.

8 Retained earnings

	Year ended 31 March 2010 $m	Year ended 31 March 2009 $m
Balance at the beginning of the financial year	3,627	3,718
Profit from ordinary activities after tax	1,093	974
Distributions paid or provided on Macquarie Income Securities	(21)	(33)
Distributions paid or provided on Macquarie Income Preferred Securities	(8)	(45)
Distributions paid or provided on other minority interests	(14)	(25)
Dividends paid on ordinary share capital	(409)	(962)
Total retained earnings	4,268	3,627

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9 Net tangible assets per ordinary share

Security	Year ended 31 March 2010 $	Year ended 31 March 2009 $
Ordinary shares	25.82	23.72

Net tangible assets include intangibles (net of associated deferred tax assets and deferred liabilities) within assets and disposal groups held for sale.

Excluding intangible assets within held for sale businesses the net tangible assets per ordinary security for the year ended 31 March 2010 was $25.82 (2009: $23.50).

10 Control gained or lost over entities in the financial year, and those having material effect

Name of entities where control was gained in the financial year	Date control gained
Tristone Capital Global Inc	31 August 2009
Fox–Pitt Kelton Cochran Caronia Waller LLC	30 November 2009
Blackmont Capital Inc	31 December 2009
Delaware Investments	5 January 2010

The above entities did not contribute materially to the consolidated entity's profit from ordinary activities.

Name of entities where control was lost in the financial year	Date control lost
Macquarie Communications Infrastructure Management Limited	22 July 2009

The above entity did not contribute materially to the consolidated entity's profit from ordinary activities during the period they were controlled.

11 Investments in associates and joint ventures

Name	Ownership interest (%)
Material interests in associates and joint ventures are as follows:	
Classified as associates and joint ventures using the equity method:	
Brisconnections Unit Trusts	46
Diversified CMBS Investments Inc.	57
European Directories SA	14
Macquarie AirFinance Limited	38
MAp Airports	22
MGPA Limited	56
Miclyn Express Offshore Limited	34
Macquarie European Infrastructure Fund LP	5
Macquarie Goodman Japan Limited	50
Macquarie Infrastructure Company	8
Southern Cross Media Group	25
MAIP International Holdings Ltd	25
New World Gaming Partners Holdings British Columbia Limited	31
Redford Australian Investment Trust(2)(a)	25
Classified as associates held for sale:	
Retirement Villages Group R.E. Limited	10

The consolidated entity recognised losses of associates and joint ventures using the equity method of $230 million in the year ended 31 March 2010 (2009: $74 million profit).

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12 Other information

For more detailed information on the consolidated entity's financial performance and financial position, refer to the 2010 Management Discussion & Analysis.

13 Foreign entities

Not applicable.

14 Commentary on results for the financial year

Refer to the 2010 Management Discussion & Analysis for details.

15 Audited report

The report is based on audited accounts. The audit opinion is unqualified.

16 Statement if Financial Report is not audited

Not applicable as the Financial Report is audited.

17 Statement if Financial Report is audited

The Financial Report has been audited and is not subject to disputes or qualifications.