



Macquarie Group Limited

# Result Announcement for the half year ended 30 September 2010

**Presentation to Investors and Analysts**  
**29 October 2010**

**Nicholas Moore**, Managing Director and Chief Executive Officer  
**Greg Ward**, Chief Financial Officer



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# Agenda

1. Introduction – Richard Sheppard
2. Overview of Result – Nicholas Moore
3. Outlook – Nicholas Moore
4. Result Analysis and Financial Management – Greg Ward
5. Appendices



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# 1

## Introduction

**Richard Sheppard**

Deputy Managing Director

### **Macquarie Group Limited**

Result Announcement for the half year ended 30 September 2010

29 October 2010 – Presentation to Investors and Analysts



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# 2

## Overview of Result

**Nicholas Moore**

Managing Director and Chief Executive Officer

**Macquarie Group Limited**

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# About Macquarie

## Building for the medium term

Macquarie Securities	<ul style="list-style-type: none"><li>▪ Top-tier, global institutional securities house with strong Asia-Pacific foundations</li><li>▪ Full-service in Australia and Asia with growing offerings in the US, Canada, Europe and South Africa</li><li>▪ 9<sup>th</sup> largest research house globally covering over 2,400 stocks</li><li>▪ Proven capability in distribution of Asia stocks into US and Europe</li><li>▪ Key specialties: infrastructure and utilities, real estate, TMET, resources (mining &amp; energy), industrials and financial institutions</li></ul>
Macquarie Capital	<ul style="list-style-type: none"><li>▪ Global M&amp;A advisory capability, including ECM, DCM and PCM products and a principal investing platform</li><li>▪ Key specialties: infrastructure and utilities, real estate, TMET, resources (mining &amp; energy), industrials and financial institutions</li></ul>
Macquarie Funds	<ul style="list-style-type: none"><li>▪ Top 40 global asset manager with \$A308b of assets under management</li><li>▪ Provides clients with access to a diverse range of products, including securities investment management, infrastructure and other real asset management and fund &amp; equity based structured products</li></ul>
Fixed Income, Currencies and Commodities	<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, power, oil, coal, freight)</li><li>▪ Predominant in US and Australia, growing presence in Asia and EMEA</li><li>▪ Specialties: commodities, emerging markets, high yield and distressed debt</li></ul>
Corporate and Asset Finance	<ul style="list-style-type: none"><li>▪ Provider of specialist finance and asset solutions, with \$A16b of loans and assets under finance</li><li>▪ Expertise in aviation assets, IT&amp;T, rail, manufacturing equipment, motor vehicles and corporate debt</li><li>▪ One of the largest providers of motor vehicle finance in Australia</li></ul>
Banking and Financial Services	<ul style="list-style-type: none"><li>▪ Leading provider of retail advisory services and products</li><li>▪ Full-service retail broking, deposit-taking and services to intermediaries in Australia</li><li>▪ Growing international capabilities: private wealth, alternative asset management and premium funding</li></ul>





# Result

- Profit of \$A403m, down 16% on 1H10 and down 29% on 2H10
- As foreshadowed, subdued market conditions have impacted activity levels in FICC, Macquarie Securities and Macquarie Capital
- Operating income before writedowns, impairments, equity accounted gains/(losses) and one-off items \$A3.6b, up 2% on 1H10 and up 3% on 2H10
- Operating income \$A3.7b up 18% on 1H10 and up 4% on 2H10
- Operating expenses \$A3.2b up 23% on 1H10 and up 14% on 2H10 primarily due to the effect of consolidation of new acquisitions and investment in global platform growth
  - Employment expenses of \$A1.9b up 26% on 1H10 and up 19% on 2H10 primarily stemming from increased headcount (including acquisitions)
  - Brokerage and commission expense of \$A0.4b up 34% on 1H10 and up 40% on 2H10 primarily due to inclusion of Delaware
- Increase in the half year effective tax rate to 17% from 7% at 1H10 (2H10 22%)



# Result

- As foreshadowed:
  - Fewer writedowns, impairments, equity accounted gains/(losses) and one-off items, 1H11 \$A56m, 1H10 (\$A414m)
  - Profit continues to be adversely impacted by the cost of excess liquidity on the balance sheet
- EPS \$A1.19 down 21% on 1H10, down 30% on 2H10
- Return on equity 7.1% down from 9.6% for 1H10 and down from 10.3% for 2H10
- Half year dividend of \$A0.86 per share (unfranked), in line with 1H10 dividend of \$A0.86 (unfranked) and down on 2H10 dividend of \$A1.00



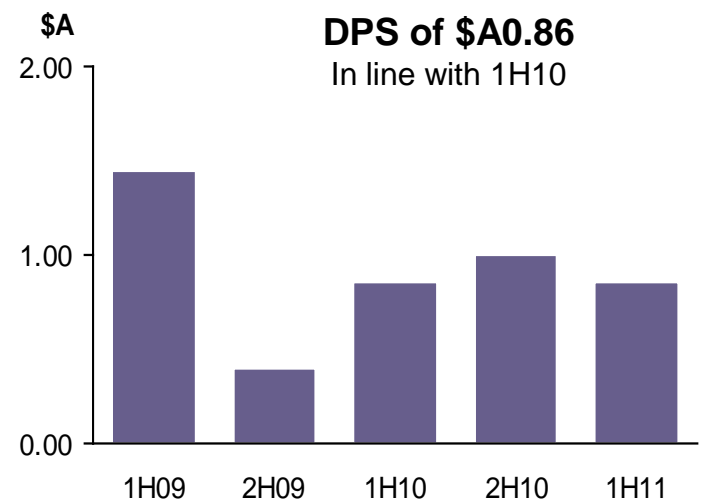
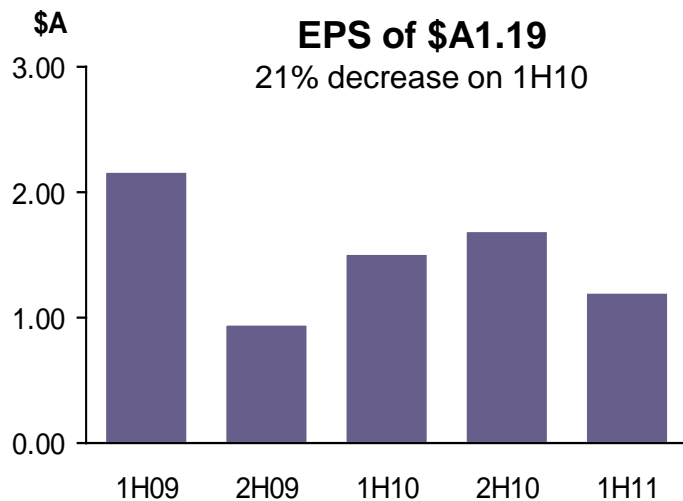
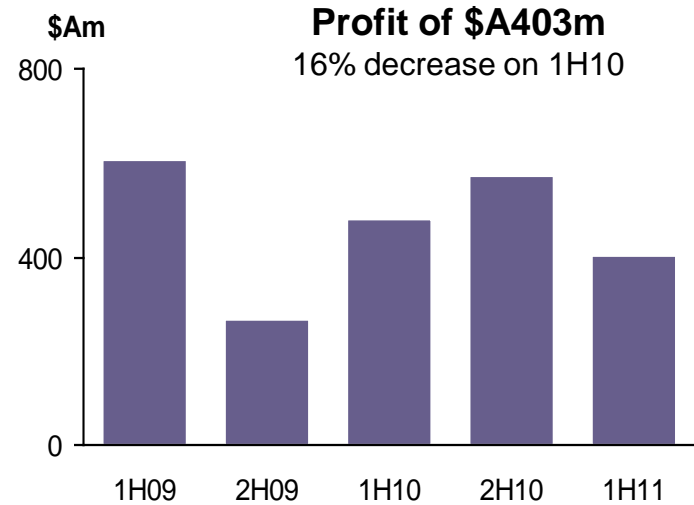
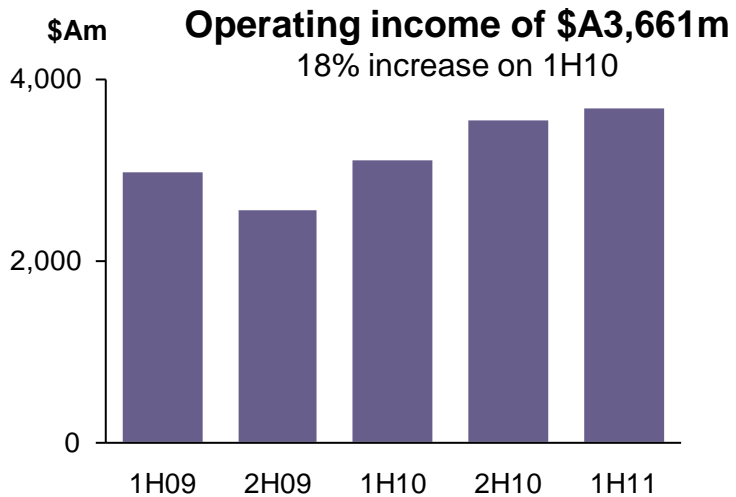


# 1H11 Result

	Sep 10 \$Am	Mar 10 \$Am	Sep 09 \$Am
Net operating income	3,661	3,533	3,105
Total operating expenses	(3,165)	(2,771)	(2,573)
<b>Operating profit before income tax</b>	<b>496</b>	<b>762</b>	<b>532</b>
Tax expense	(85)	(165)	(36)
<b>Operating profit after income tax</b>	<b>411</b>	<b>597</b>	<b>496</b>
Profit attributable to non-controlling interests	(8)	(26)	(17)
<b>Profit attributable to MQG shareholders</b>	<b>403</b>	<b>571</b>	<b>479</b>



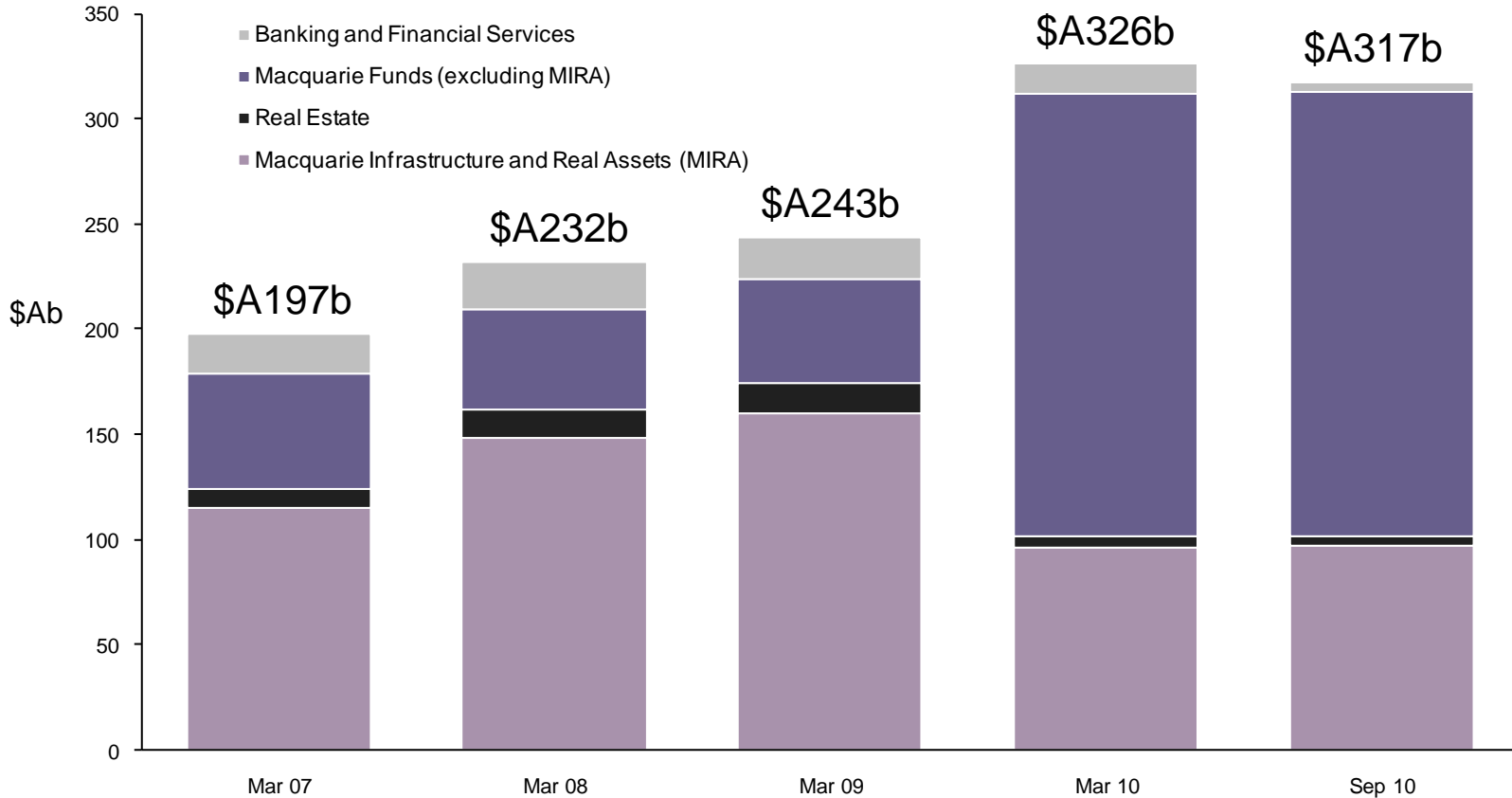
# Financial performance





# Assets under management of \$A317b

- Decrease in AUM due to impact of CMT/CMA transfer (\$A9.6b in Jul 10)
- Net fund inflows of \$A14b<sup>1</sup>, largely offset by decrease due to FX of \$A12b



1. Includes the impact of net inflows/outflows and movements in AUM driven by changes in listed equity prices



# Diversified by region

International income<sup>1</sup> 56% of total

Total staff over 15,500<sup>2</sup>; international staff 52% of total

## EUROPE, MIDDLE EAST & AFRICA<sup>3</sup>

Income: \$A430m (13% of total)  
Staff: 1,653



## ASIA

Income: \$A529m (16% of total)  
Staff: 2,623



## AMERICAS

Income: \$A929m (27% of total)  
Staff: 3,732



## AUSTRALIA

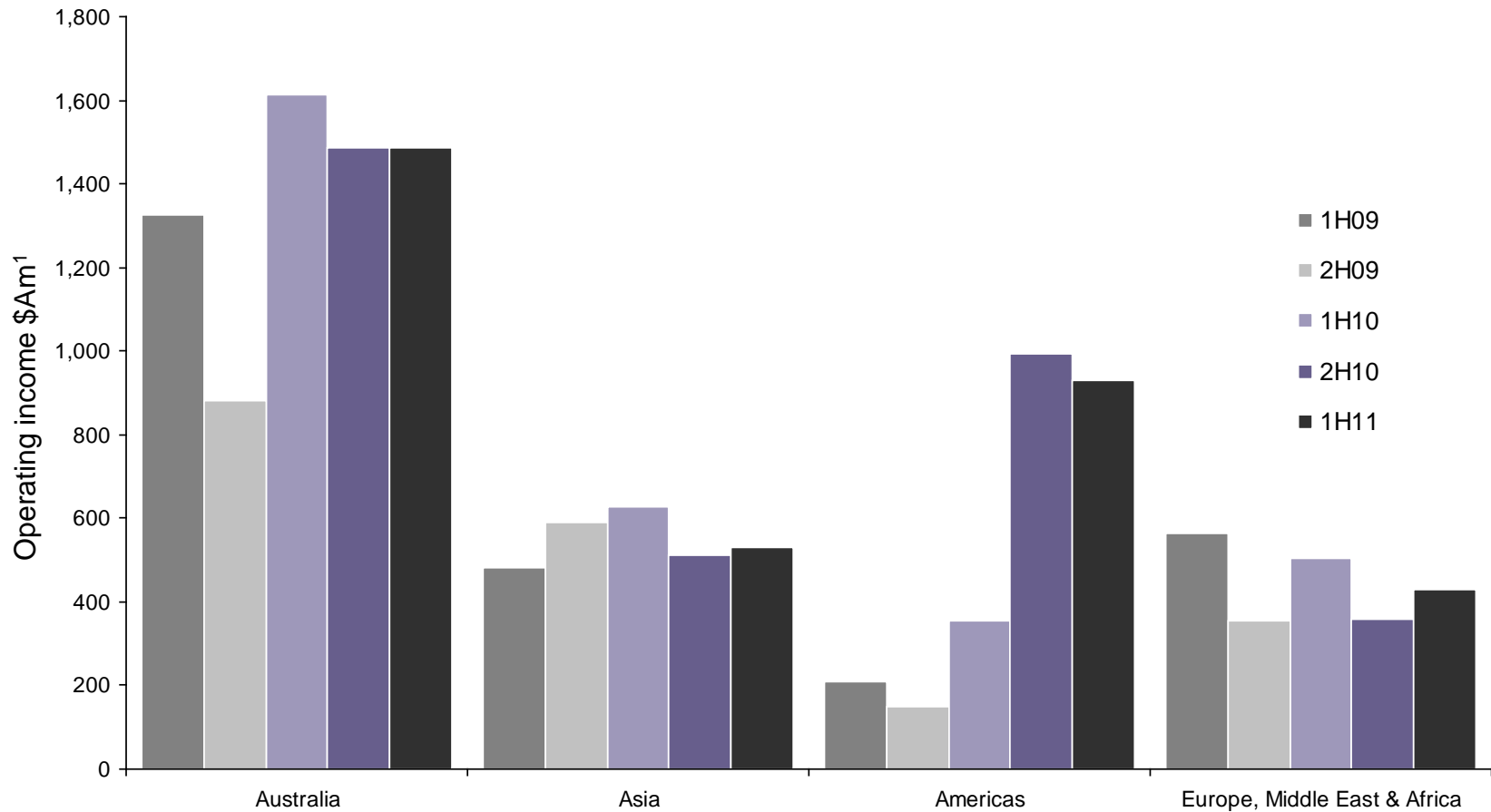
Income: \$A1,486m (44% of total)  
Staff: 7,525

1. Operating income for half year to 30 Sep 10. Operating income in each region excludes earnings on capital and other corporate items 2. Staff numbers at 30 Sep 10 3. Excludes staff in Macquarie First South joint venture and staff seconded to Macquarie Renaissance joint venture (Moscow)



# Diversified income

## Operating income by region



1. Operating income excludes earnings on capital and other corporate items

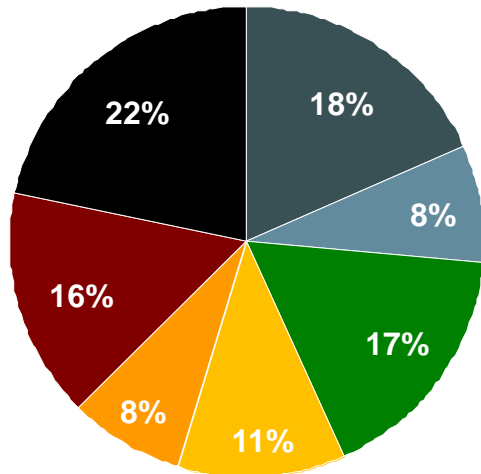


# Diversified income

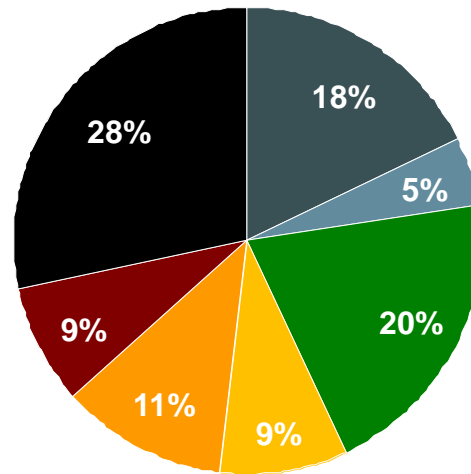
## Operating income by source

### Operating income before writedowns, impairments, equity accounted gains/(losses) and one-off items

12 months to 31 Mar 10  
\$A7.0b



6 months to 30 Sep 10  
\$A3.6b



- Institutional and retail cash equities
- Equity derivatives
- Securities funds management and administration
- M&A and advisory income
- Asset and equity investments
- Commodities, resources and foreign exchange
- Lending, leasing and margin related income



# Group performance

Subdued market conditions impacting activity levels in:

- Fixed Income, Currencies and Commodities operating income down 15% on pcp and down 31% on prior period, net profit contribution down 55% on pcp and down 64% on prior period
- Macquarie Securities operating income down 21% on pcp and down 11% on prior period, net profit contribution down 71% on pcp and down 64% on prior period
- Macquarie Capital operating income up 97% on pcp and down 15% on prior period, net profit contribution up 169% on pcp and up 27% on prior period

However each business continued to grow its business platform

More favourable market conditions and benefits from recent initiatives resulted in improved performance for:

- Macquarie Funds (excluding gains from listed fund initiatives) operating income up 101% on pcp and up 33% on prior period, net profit contribution up 208% on pcp and up 52% on prior period
- Corporate Asset Finance operating income up 57% on pcp and up 60% on prior period, net profit contribution up 81% on pcp and up 85% on prior period
- Banking and Financial Services operating income up 22% on pcp and up 8% on prior period, net profit contribution flat on pcp and up 10% on prior period





# Macquarie Securities

## Market conditions and activity

Operating income down 21% on pcp and down 11% on prior period  
Net profit contribution down 71% on pcp and down 64% on prior period

### Market Conditions

#### Cash

##### Australia

- Total market turnover up 12% on pcp and up 12% on prior period<sup>1</sup>

##### Asia (ex Japan)

- Total market turnover down 3% on pcp and up 9% on prior period<sup>1</sup>

##### Europe

- Total market turnover up 16% on pcp and up 10% on prior period<sup>1</sup>

##### US

- NYSE total market volume down 9% on pcp and up 9% on prior period<sup>1</sup>
- NASDAQ total market volume down 1% on pcp and up 6% on prior period<sup>1</sup>

##### Canada

- TSX market volume down 19% on pcp and down 5% on prior period<sup>1</sup>

##### South Africa

- Total market volume up 9% on pcp and flat on prior period<sup>1</sup>

#### ECM

##### Australia

- Market activity down 77% on pcp<sup>2</sup> and down 50% on prior period to \$A12.2b

##### Asia (ex Japan)

- Market activity up 27% on pcp and up 21% on prior period to \$US146.1b<sup>2</sup>

##### Europe

- Market activity down 67% on pcp and down 53% on prior period to €49.5b<sup>2</sup>

##### US

- Market activity down 15% on pcp and up 9% on prior period to \$US176.7b<sup>2</sup>

##### Canada

- Market activity down 37% on pcp and down 28% on prior period to \$C17.9b<sup>2</sup>

##### South Africa

- Market activity down 32% on pcp and up 18% on prior period to \$US2.7b<sup>2</sup>

#### Derivatives/Delta One Trading

- Limited appetite for retail structured products across all markets
- Asia: Institutional demand for Derivatives/DeltaOne products flat on prior periods

### Business Activity

#### Cash

**Australia** No.1 overall research and sales<sup>3</sup>, No.1 equity research/advisory share<sup>4</sup>

- Increasing proportion of lower margin electronic trading

#### Asia

- Growth in market share on pcp and prior year in Hong Kong, Korea, India, Philippines and Indonesia<sup>5</sup>

#### Europe

- Sal. Oppenheim acquisition completed in Apr 2010. Strong growth in secondary market commissions
- Accelerated build out of research coverage – stocks under coverage grown to around 400 from around 130 pcp

#### US

- Continued business growth focussed on areas of global specialisation. Solid growth in secondary market commissions. Build out of research product

#### Canada

- Growth in market share to 1.9% up from 1.6% pcp and up from 1.7% prior period<sup>5</sup>
- Continued strong growth in secondary market commissions in 1H11

#### South Africa

- Growth in market share to 3.7% up from 3.1% pcp and up from 3.2% prior period<sup>5</sup>

#### ECM

- **Australia** Increased market ranking to No.2<sup>6</sup>. Capital raised down 84% on pcp and down 81% on prior period to \$A2.1b<sup>9</sup>
- **Asia** Increased market share on prior period<sup>8</sup>. Capital raised up 375% on pcp and up 114% on prior period to \$US15.1b<sup>9</sup> (includes Agricultural Bank of China IPO)
- **US** Increased market share on prior period<sup>7</sup>. Strong growth in capital raised. \$US1b<sup>9</sup> raised for 1H11
- **Canada** Increased ECM market share on prior period in Canada<sup>7</sup>. Capital raised up 16% on pcp and down 40% on prior period to \$C785m<sup>9</sup>

#### Derivatives/DeltaOne Trading

- No.1 market share in listed warrants in Singapore and Korea<sup>5</sup>, No.2 market share in listed warrants in Australia and Hong Kong<sup>5</sup>
- Maintained strong presence in derivatives business despite limited retail demand for products
- Focus on building institutional equities derivatives platform



# Macquarie Securities

## Update on platform growth

### Cash

- Continued to improve our client rankings and grow market share across most markets, now the 9<sup>th</sup> largest research house globally covering over 2,400 stocks
- Continued to increase our market share in ECM globally
- Continued investment in building global electronic execution platform
- Focussed build out in Europe and the US around 6 core global sectors: infrastructure and utilities, real estate, TMET, resources (mining & energy), industrials and financial institutions
- Organic build leading with research and building ECM capability with Macquarie Capital, supplemented by the acquisitions of:
  - Fox-Pitt Kelton Cochran Caronia Waller (FPK) a FIG specialist (372 stocks (net) added to coverage at acquisition)
  - Tristone Capital an oil and gas specialist (129 stocks (net) added to coverage at acquisition)
  - Sal. Oppenheim European research coverage based in Germany (130 stocks (net) added to coverage at acquisition)

### Derivatives/DeltaOne

- Extend retail structured products footprint into Europe via the Sal. Oppenheim derivatives business acquisition and in India following receipt of licence to deliver products to clients
- Build out of global institutional derivatives and equity finance offering to existing clients

### Technology and infrastructure

- Significant investment in Derivatives/DeltaOne technology and infrastructure to build a global, scalable platform
- Continue to invest in front office platforms to support build out of new activities globally



# Macquarie Capital

## Market conditions and activity

Operating income up 97% on pcp and down 15% on prior period  
Net profit contribution up 169% on pcp and up 27% on prior period

### Market Conditions

#### Infrastructure

- 79 deals reached financial close globally, down 43% on pcp and down 43% on prior period<sup>1</sup>
- 33 PPPs reached financial close, down 21% on pcp and down 20% on prior period<sup>1</sup>

#### Real Estate

- 65 public M&A real estate transactions completed globally, down 39% on pcp<sup>2</sup> and down 46% on prior period as opportunities to acquire distressed REITs and property companies lessened
- 196 ECM transactions worth \$US25b globally, down 49% on pcp and down 29% on prior period by value<sup>3</sup>
- Fund investors remained sidelined with the lowest allocations of capital to private funds since 1H03. Allocations were in line with pcp and down 20% on 2H10<sup>4</sup>

#### TMET

- Global M&A - 342 deals worth \$US164b completed, up 148% on pcp (421 deals worth \$US66b) and up 24% on prior period (477 deals worth \$US133b)<sup>5</sup>

#### Resources

- Global M&A mining - 73 deals (worth \$US36b) completed globally down 30% on pcp and down 46% on prior period<sup>6</sup>
- Australian ECM issuance (mining & energy) at \$US4.8b, down 47% on pcp and down 3% on prior period<sup>7</sup>
- Canadian ECM issuance (mining & energy) at \$US7.8b, down 44% on pcp and down 30% on prior period<sup>7</sup>

#### Industrials

- Global M&A completed deals up 29% on pcp and down 13% on prior period<sup>8</sup>
- Global ECM activity up 66% on pcp and down 36% on prior period<sup>8</sup>

#### FIG

- Global M&A activity - 186 deals worth \$US82b<sup>6</sup> up 20% on pcp and down 5% on prior period
- Global equity raisings \$US76b down 62% on pcp and down 60% on prior period<sup>7</sup>

### Business Activity

- Maintained No.2 ranking for Australian M&A deals completed<sup>9</sup>
- Improved ranking in M&A in Asian market from prior period<sup>9</sup>
- Improved ranking in ECM in Asia (ex Japan), the US and Canada<sup>10</sup>
- 219 deals valued at \$A79b compared to 182 deals valued at \$A57b in pcp and 266 deals valued at \$A64b in prior period

#### Infrastructure

- 33 deals valued at \$A12b compared to 31 deals valued at \$A13b in pcp and 49 deals valued at \$A26b in prior period

#### Real Estate

- 27 deals valued at \$A3b compared to 34 deals valued at \$A15b in pcp and 31 deals valued at \$A4b in prior period

#### TMET

- 16 deals valued at \$A4b compared to 15 deals valued at \$A9b in pcp and 23 deals valued at \$A10b in prior period

#### Resources

- 83 deals valued at \$A31b compared to 61 deals valued at \$A8b in pcp and 96 deals valued at \$A14b in prior period

#### Industrials

- 27 deals valued at \$A11b compared to 33 deals valued at \$A9b in pcp and 41 deals valued at \$A6b in prior period

#### FIG

- 33 deals valued at \$A18b (including Agricultural Bank of China IPO) compared to 8 deals valued at \$A2b in pcp and 26 deals valued at \$A4b in prior period



# Macquarie Capital

## Update on platform growth

### Australia

- Maintained leading position in M&A<sup>1</sup> and ECM<sup>2</sup>
  - Senior hires: 3 director level hires<sup>3</sup>

### Asia

- Continued to grow market share in M&A and ECM across the region (M&A market share 2.0%<sup>1</sup> at Sep 10 up from 1.5%<sup>1</sup> pcp, ECM market share 3.0%<sup>4</sup> at Sep 10 up from 2.2%<sup>4</sup> pcp)
- No.2 arranger of Hong Kong IPOs in 2008, 2009 and 2010<sup>5</sup>
- Managed the 3 largest Hong Kong share sales by Chinese companies in the past 3 years<sup>6</sup>
- Raised approximately \$U50b over last 3 years<sup>6</sup>
  - Senior hires: 12 director level hires<sup>3</sup>

### United States

- Continued build out of the business to achieve critical mass with a focus on the 6 key sector specialisations: infrastructure and utilities, real estate, TMET, resources (mining & energy), industrials and financial institutions
  - FIG: FPK
  - Oil and gas: Tristone Capital
  - Real Estate: Presidio Partners<sup>7</sup>:
    - San Francisco-based real estate private capital raising and advisory business
    - Ranked third by total equity raised in the US by equity placement agents<sup>8</sup>
  - Senior hires: 30 director level hires<sup>3</sup>
- Increased product offering from M&A to include ECM and DCM
  - ECM: bookrunner on 9 deals<sup>3</sup>
  - DCM: bookrunner on 12 deals<sup>3</sup>

### Canada

- Continued to grow our market share in ECM (ECM market share 3.0%<sup>4</sup> at Sep 10 up from 1.9%<sup>4</sup> pcp)
- Grow market share in oil and gas sector, building on the acquisition of Tristone Capital
  - Senior hires: 6 director level hires<sup>3</sup>
  - ECM: bookrunner on 27 deals<sup>3</sup>

### Europe

- Continued build out of the business to achieve critical mass with a focus on the 6 key sector specialisations
- Established German M&A and ECM capability through collaboration with MSG following the acquisition of Sal. Oppenheim
- Acquisition of FPK and Tristone Capital provided increased European client coverage
  - FIG: FPK
  - Oil and gas: Tristone Capital
  - Senior hires: 29 director level hires<sup>3</sup>

### Greater collaboration across Groups to develop improved service offering to clients

- MSG for ECM
- FICC for DCM
- MFG for infrastructure advisory & emerging market infrastructure funds
- CAF for senior lending



# Macquarie Funds

## Market conditions and activity

Operating income up 3% on pcp and up 16% on prior period  
Net profit contribution down 32% on pcp and up 6% on prior period

### Market Conditions

#### Australia

- AUM down 1.3% on pcp<sup>1</sup> and down 3.6% on prior period
- Wholesale AUM up 0.9% on pcp<sup>1</sup> and down 3.5% on prior period
- Retail AUM down 10.4% on pcp<sup>1</sup> and down 4.2% on prior period

#### Offshore

- US Mutual Fund AUM up 11.7% on pcp<sup>2</sup> and up 0.8% on prior period
- UK Mutual Fund AUM up 20.3% on pcp<sup>2</sup> and up 0.5% on prior period

### Business Activity

#### Australia

- \$A13b in gross inflows during 1H11<sup>3</sup>
- Australia's largest global asset manager, ranking in the top 40 asset managers globally<sup>4</sup>
- Strong relative fund performance in key sectors with first quartile performance over 3 years<sup>5</sup>
- Continue to see improved independent researcher ratings for a number of funds in the retail/adviser market
- Macquarie Diversified Fixed Interest Fund won Money Management Fixed Interest (Diversified) Fund Manager of the Year award<sup>6</sup>
- New funds launched including Australian feeder fund for Asian New Stars strategy
- Successfully launched a joint venture with Banking and Financial Services Group for retail structured products and raised over \$A210m in 1H11
- Ranked as the top global manager of alternative assets on behalf of pension funds<sup>7</sup>
- Macquarie Special Funds won best Asian Event Driven Fund Award<sup>8</sup>

#### Offshore

- \$US12b gross inflows to Delaware Investments during 1H11
- Delaware Investments ranked 16th out of 61 non-proprietary US mutual fund firms based on overall fund performance<sup>9</sup>
- Delaware Investments recorded top quartile performance over the three years to 30 Sep 2010 in 24 of its 40 funds in their respective Lipper categories<sup>10</sup>
- A consortium led by the Macquarie SBI Infrastructure Fund completed the acquisition of an interest in VIOM Networks Limited, an India based telecom tower company for total consideration of INR14.2b
- Macquarie Atlas Roads, Macquarie European Infrastructure Fund II and Eiffage SA completed the acquisition of a further interest in Autoroutes Paris-Rhin-Rhône from minority shareholders for a total acquisition price of €853.7m
- Macquarie Infrastructure and Real Assets (MIRA) continued its focus on investing equity across the globe, with \$A1.5b of capital invested during 1H11<sup>11</sup>
- In core European and US markets, MEIF 3 and MIP II have reached financial close
- MIRA had equity of \$A6.0b to invest through its unlisted and listed funds as at 30 Sep 2010
- Named Infrastructure Manager of the Year<sup>12</sup>

Comparative figures have been restated for group restructures undertaken during the first half 1. Rainmaker Roundup Report (June 2010) 2. Investment Company Institute Worldwide Mutual Fund Assets & Flows Supplementary Tables (Jun 2010) 3. Gross inflows from Australian investors in Macquarie Investment Management funds only 4. Macquarie Estimate 5. Mercer Wholesale Survey 6. As judged by Lonsec 7. Towers Watson Global Alternatives Report 8. Eureka Asian Hedge Fund Awards 9. Annual Barron ranking (Feb 10) 10. Lipper 11. Captures capital invested globally 12. Annual Financial News' Awards in European Institutional Asset Management



# Macquarie Funds

## Update on platform growth

### Combined Macquarie Capital Funds with Macquarie Funds Group to create Australia's largest global asset manager AUM \$A308b

#### Australia

- First quartile performance in Australian Shares (Long Only); Listed Property (Index); Inflation Linked Bonds and Australian Cash (Aggressive) over 3 years
- \$A27b of gross fund inflows over the past 12 months

#### Asia

- Launched new funds in conjunction with local Japanese partner Nikko Asset Management providing Japanese investors with exposure to Asian infrastructure equities
- \$US1b Indian infrastructure fund generating momentum in unlisted Asian infrastructure and real asset fund raisings

#### Europe

- Building on our position as Europe's leading manager of Infrastructure assets
- Continue to develop asset management presence, building on acquisition of leading Austrian securities asset manager, INNOVEST Kapitalanlage AG

#### United States

- Successful acquisition of Delaware
  - AUM grown by approximately \$US25b since acquisition to \$US152b as at 30 Sep 10
  - Strong inflows into retail products, in particular Diversified Fixed Income funds
  - Strong performance in Fixed Income and renewed interest in Emerging Markets
  - An additional \$US58m of seed capital invested into new products
  - Secured jointly managed mandates in key areas, such as a global credit mandate in 1H11, reflecting strong capability of Delaware Investments and Australian-based fixed income teams
  - Since acquisition closed in January 2010, Delaware's net income is up 44% on budget for 1H11
  - Estimated acquisition P:EBIT multiple of 5.0 – 6.0x<sup>1</sup> based on estimated FY11 earnings
- Maintaining our position as a leading US manager of infrastructure assets
- Establishment of Mexican infrastructure fund
- As part of a strategy to increase its presence in the US market, MFG PE Funds acquired a US-based PE FoFs firm, GKM Newport





# Fixed Income, Currencies and Commodities

## Market conditions and activity

Operating income down 15% on pcp and down 31% on prior period  
Net profit contribution down 55% on pcp and down 64% on prior period

### Market Conditions

#### Foreign Exchange

- Global client volumes continue to be lower post 2008. Volatility remains low
- Level of term hedging activity impacted by the higher Australian dollar

#### Energy

- Lower US gas prices due to supply increases in addition to lower volatility
- Lower energy demand typical of northern hemisphere summer
- Trading conditions during the period were periodically difficult as markets moved away from fundamentals

#### Agriculture

- Agricultural and soft commodity markets have seen increased volatility and higher prices due to a series of globally significant weather events
- Freight markets are less volatile and prices have been trading in a narrower range

#### Metals

- Weaker US dollar putting pressure on US yields leading to more speculative environment with money moving into real assets
- Competition in both debt and equity markets increasing

#### Emerging markets

- Healthy inflows into emerging markets funds as the asset class attracts investors
- Underlying market volatility remains in line with historic lows

#### US Credit

- Corporate debt trading volumes flat
- European sovereign risk weighed heavily on market
- Investment grade credit spreads widened by 15% over prior period<sup>1</sup>
- High yield bond prices flat with 1.3% increase on prior period<sup>2</sup>

### Business Activity

- Macquarie has been awarded the Australian Asset Backed Securities House of the Year for the 11th consecutive year<sup>3</sup>

#### Foreign Exchange

- Best Domestic FX Providers – Australia, 2nd place Best For Innovative FX Products and Structured Ideas, 3rd place Best FX Prime Broking Services<sup>4</sup>
- Volumes largely in line with prior periods, down 10% on pcp and up 2% on prior period

#### Energy

- Maintained ranking as No.4 US physical gas marketer in North America<sup>5</sup>
- Lower natural gas price had a negative effect on financing and asset realisations
- Growing physical oil trading globally
- Continued focus on US origination

#### Agriculture

- Increased agricultural and soft commodity sales presence globally

#### Metals

- Project financing and increased equity realisations as a result of stronger resource equity markets, particularly gold
- Expanded physical base metals trading business

#### Asian and emerging markets

- Building credit, rates and currencies business from Singapore
- Emerging markets foreign exchange volumes continue to grow alongside the build out of the business
- Central Europe, Middle East and Africa growth initiative gaining momentum
- Expanding specialist corporate debt and macroeconomic strategy services

#### US and European Credit

- Continued to build US credit business in spite of difficult market conditions
- Growing presence in Europe via an expanded presence in London





# Fixed Income, Currencies and Commodities

## Update on platform growth

### Australia

- Transformation from Sydney based, 24 hour currency service provider to a global business with hubs in Sydney, New York, London and Singapore
- Building on our experience in coal and other bulk commodities, commenced trading physical and financial iron ore

### Asia

- Establishment of FICC's regional hub in Singapore
- Establishment of Asian Markets business offering rates, currencies and credit – including 25 director level hires
- Extension of agricultural OTC, energy OTC and physical oil into Asia out of Singapore
- Macquarie Bank Limited Seoul branch actively trading currencies and fixed income
- Growing service offering in commodities and structured solutions in foreign exchange, credit and rates in Japan

### United States

- Constellation now fully integrated with Energy Markets Division, No.4 US physical gas marketer in North America<sup>2</sup>
  - Estimated acquisition P:EBIT multiple of <math><2.0\times^1</math> based on estimated FY11 earnings
- Credit Trading Division continues to grow its sales capability with the addition of a commercial mortgage finance and CMBS team in New York
- Integration of the Integrys wholesale electric marketing and trading portfolio

### Canada

- Growing Metals and Energy Capital platform, offices in Vancouver and Toronto focused on energy financing

### Europe

- Expansion of credit trading offering into Europe
- Expansion of emerging markets offering to include Europe, complimented by new hires in London



# Corporate and Asset Finance

## Market conditions and activity

Operating income up 57% on pcp and up 60% on prior period  
Net profit contribution up 81% on pcp and up 85% on prior period

### Market Conditions

#### Australia

- Margins on primary and secondary market corporate credits have continued to contract in 1H11 as liquidity continued to flow to credit markets

#### US

- Margins on primary and secondary market corporate credits have continued to contract in 1H11 as liquidity continued to flow to credit markets
- Acquisition opportunities have continued in loan and lease portfolios as competitors reduced participation or exited markets; however increased numbers of buyers have started to enter the market
- Improving leasing volumes, origination and utilisation across the industry but still reflecting a weaker US economy

#### Europe

- Acquisition opportunities continue as competitors exit, retract or re-align strategies but pricing gap persists
- Loan acquisition opportunities subject to reluctance of European banks to dispose of existing books; however attractive primary financing opportunities have re-emerged

#### Asia

- Banks across the region remain highly liquid with growing deposit bases. Demand from lenders is driving contraction in margins
- Limited secondary market opportunities, however primary financing opportunities are emerging as corporate activity increases

### Business Activity

#### Australia

- Loan and asset portfolio of \$A9.4b up 19% on pcp and up 4% on prior period
- Portfolio includes corporate debt and leased autos, IT&T, manufacturing, infrastructure/energy, rail and aviation assets
- Strong conditions in Australian motor vehicle leasing – over 32,000 motor vehicles financed in Australia during 1H11 (excluding the GMAC portfolio acquisition)
- Acquisition of \$A1.0b portfolio of Australian motor vehicle leases and loans from GMAC

#### Global

- Agreed to acquire a \$US1.7b aircraft operating lease portfolio from International Lease Finance Corporation
- US Equipment Leasing Fund continues to raise equity
- Macquarie Leasing completed the securitisation of \$A550m Australian motor vehicle leases and loans in Jul 2010 – the first Australian originated motor vehicle securitisation marketed to US investors and was over-subscribed
- Extended IT&T leasing capacity into Malaysia, Hong Kong and Singapore



# Corporate and Asset Finance

## Update on platform growth

### Australia

- Motor vehicle leasing portfolio now \$A5.5b following organic growth and acquisitions of GMAC and Ford portfolios
- Continue to grow total contracts, in excess of 240,000 contracts as at 30 Sep 10
- Continued to access global securitisation markets, approximately \$A9b of external funding<sup>1</sup>
- Continued growth of loan and asset portfolio, \$A9.4b as at 30 Sep 10

### Asia

- Extended IT&T leasing capacity into Malaysia, Hong Kong and Singapore

### United States

- Continued growth of loan and asset portfolio, loan and asset portfolio of \$A2.7b as at 30 Sep 10

### Europe

- Acquisition of a portfolio of 47 aircraft for \$US1.7b from International Lease Finance Corporation (ILFC)
  - Including ILFC, the Macquarie Group portfolio will exceed 170 owned or managed aircraft
- Continued growth of loan and asset portfolio, loan and asset portfolio of \$A3.8b as at 30 Sep 10

1. In conjunction with Group Treasury since Mar 07



# Market conditions and activity

## Banking and Financial Services

Operating income up 22% on pcp and up 8% on prior period  
Net profit contribution flat on pcp and up 10% on prior period

### Market Conditions

#### Private Wealth/Direct

- Continued market volatility. Estimated ASX retail market trading volumes down 8% on pcp and down 1% on prior period

#### Intermediary

- Gradually improving market conditions

#### Funds Management

- Challenging conditions for non-cash products
- 9% fall in Jun quarter superannuation member contributions on pcp

#### Balance Sheet

- Continued focus on balance sheet cash levels (Australian household deposits up 6% on pcp and up 3% on prior period. Total deposits up 5% on pcp and up 3% on prior period)

### Business Activity

#### Private Wealth/Direct

- MPW ASX retail turnover for 1H11 down 5% on pcp and in line with prior period
- Credit card accounts up more than 34,700 over pcp, mainly due to Jetstar white label promotions
- Australian/NZ client numbers 355,000, up 9% on pcp and up 1% on prior period
- Adviser numbers, currently 593 up from 420 at pcp
- Macquarie Private Wealth remains No.1 ranked retail full service retail stockbroker in Australia in terms of volume and market share<sup>1</sup>
- Macquarie Private Bank named winner of the Outstanding UHNW Offering – \$30m+<sup>2</sup>
- Macquarie Edge named Banking Website/Online Offering of the Year<sup>3</sup>

#### Intermediary

- Macquarie Life inforce risk premiums up 81% on pcp and up 29% on prior period
- WRAP funds under administration \$A21.8b flat on pcp and down 3% on prior period
- Canadian mortgage originations up 42% on pcp and up 22% on prior period

#### Funds Management

- Macquarie Pastoral Fund acquired additional three properties in 1H11
- Funds in the Macquarie Professional Series up 39% on pcp
- Arrowstreet Global Equity Fund (Hedged) (managed by Macquarie) named winner – Large Cap World Shares Fund<sup>4</sup>
- Macquarie Diversified Fixed Interest Fund won Money Management Fixed Interest (Diversified) Fund Manager of the Year award<sup>5</sup>

#### Deposits

- Total retail deposits of \$A26.5b up 91% on pcp and up 71% on prior period, primarily due to CMT conversion to CMA



# Banking and Financial Services

## Update on platform growth

### Australia

- Continued growth of retail deposits: total retail deposits \$A26.5 billion as at 30 Sep 10
- Acquisition OLICC Technologies: provides financial planning firms with a web based workflow and revenue management system
- Launch of award winning platforms, Macquarie Edge Online Trading
- Continued development of Credit card white labels, e.g. Hilton/Jetstar
- Macquarie Life Active: Macquarie Life inforce risk premiums up 81% on Sep 09
- Acquisition of Outplan: outsourced parapanning services

### Canada

- Acquisition of Blackmont Capital (Canada) Financial Services Business. Client assets up 7.2% to \$C8.4b since acquisition on 31 Dec 09. Client numbers up 5% since acquisition at 68,000
- iPay acquisition and AON agreement: results in Macquarie being second largest insurance premium funder in Canadian market

### UK/Europe

- AON UK agreement results in Macquarie being third largest insurance premium funder in UK market

### Global

- Total adviser numbers 593 and \$A119.2 billion funds under management/advice/administration



# Operating expenses

- Operating expenses \$A3.2b, up 23% on 1H10
- Increase driven primarily by the effect of the consolidation of new acquisitions and investment in global platform growth
- Overall compensation expenses \$A1.8b up 25% on 1H10 primarily due to increased headcount to 15,533 at Sep 10, up 22% from 12,758 at Sep 09, stemming from:

- Acquisition growth, 1,408 staff:

Acquisition	Staff	Acquired
Fox-Pitt Kelton Cochran Caronia Waller	234	2H10
Blackmont Capital	433	2H10
Delaware Investments	585	2H10
Sal. Oppenheim	156	1H11

- Organic Growth 1,367 staff: predominantly CAF (lease book growth), FICC (Asian expansion) and an increase in support staff, mainly in ITG



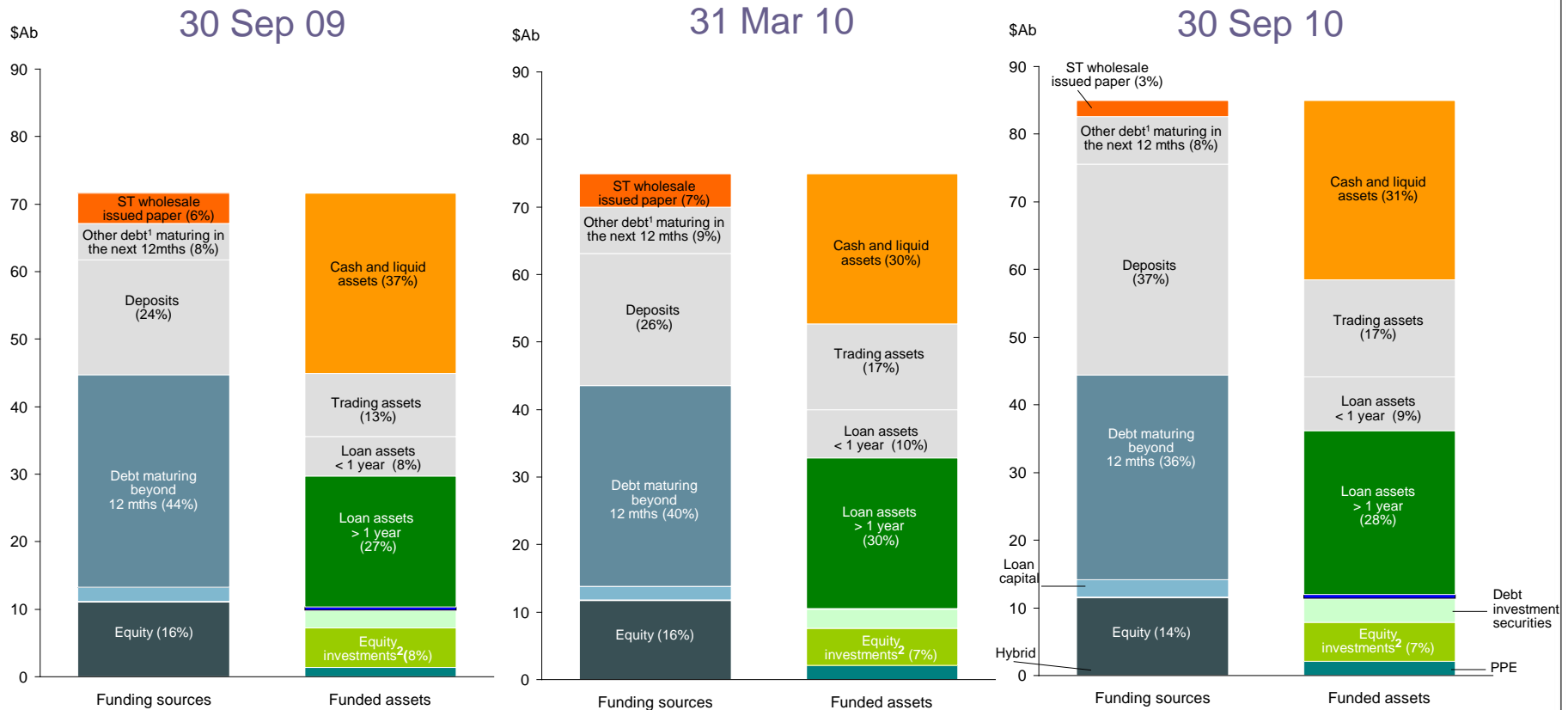
# Strong funding and balance sheet position

- Total deposits increased to \$A31.2b at Sep 10 from \$A17.0b at Sep 09
  - Retail deposits increased to \$A26.5b at Sep 10 from \$A13.9b at Sep 09
  - On 31 Jul 10 \$A9.6b of CMT funds transferred to Macquarie's CMA
- An additional \$A4.3b of term funding has been raised since 31 Mar 10
- Capital of \$A11.6b, \$A2.9b in excess of the Group's minimum regulatory capital requirement
  - MBL Banking Group tier 1 capital ratio 10.8% (11.7% Sep 09)
- Proposed regulatory changes are likely to result in higher capital and tighter liquidity requirements for the banking sector
- Macquarie continues to monitor regulatory and other market developments and remains well capitalised and well funded



# Funded balance sheet remains strong

## Macquarie Group Limited



Note: These charts represent Macquarie Group Limited's funded balance sheets at the respective dates noted above. For details regarding reconciliation of the funded balance sheet to the Group's statutory balance sheet, refer to slide 60



# Interim dividends

- Historical annual payout ratio 50 – 60%
- 1H11 dividend set at \$A0.86 ~ 74% payout ratio
  - 1H11 dividend in line with 1H10 dividend of \$A0.86
  - Dividend remains unfranked
- Dividend reinvestment plan
  - Discount removed from July 2010 dividend
  - Scheme rules amended to allow shares to be sourced on-market



MACQUARIE

3

Outlook

Nicholas Moore

Managing Director and Chief Executive Officer

**Macquarie Group Limited**

Result Announcement for the half year ended 30 September 2010

29 October 2010 – Presentation to Investors and Analysts



# Short term outlook

- As previously foreshadowed:
  - Uncertain market conditions make short term forecasting very difficult
  - Weak market conditions have impacted activity levels in Fixed Income, Currencies and Commodities, Macquarie Securities and Macquarie Capital
  - FY11 result to be impacted by the cost of our continued conservative approach to funding and capital
- Market conditions in Sep and Oct have shown some signs of improvement, however activity continues to track below normal levels
- Subject to market conditions continuing to return to more normal levels during 2H11, we currently anticipate FY11 profit to be broadly in line with FY10
- We continue to expect FY11 trading to be characterised by:
  - Income Statement
    - Fewer one-offs items (e.g. asset sales, writedowns, provisions), as seen in 1H11
    - Compensation ratio to be consistent with historical levels
    - Continued higher cost of funding reflecting market conditions and high liquidity levels
  - Balance Sheet
    - Excess funding levels which we expect will continue to be deployed across the businesses
- FY11 result may also be subject to global government and regulator actions to deal with current economic imbalances



# Medium term outlook

## **Our businesses are increasingly well positioned to benefit from future growth**

- Deep expertise in major markets
  - We have significant expertise in key products in all major markets
  - Continued investment in our people and our businesses enables us to expand that expertise globally across new products in new markets
- Growing global market share
  - Leveraging our strength in Asia Pacific into global markets
  - Maintaining and strengthening our leading position in key markets
- Strength in diversity
  - Broadening our diversity by geography, product and service
  - Diversification of income driven by evolution of the business
- Balance sheet positioned for growth
  - Broadening our diversity by geography, product and service
  - Diversification of income driven by evolution of the business
  - Ongoing investment in balance sheet businesses
- Effective risk management culture



MACQUARIE

# 4

Result Analysis and  
Financial Management  
Greg Ward  
Chief Financial Officer

**Macquarie Group Limited**

Result Announcement for the half year ended 30 September 2010

29 October 2010 – Presentation to Investors and Analysts



# Income Statement key drivers

	Sep 10 \$Am	Mar 10 \$Am	Sep 09 \$Am
Net interest income	605	655	425
Fee and commission income	1,995	1,839	1,882
Trading income	600	668	906
Other income	405	345	306
<b>Operating income before writedowns, impairments, equity accounted gains/(losses) and one off items</b>	<b>3,605</b>	<b>3,507</b>	<b>3,519</b>
Writedowns, impairments, equity accounted gains/(losses) and one off items	56	26	(414)
<b>Total operating income (as reported)</b>	<b>3,661</b>	<b>3,533</b>	<b>3,105</b>
Total operating expenses	(3,165)	(2,771)	(2,573)
<b>Net profit before tax and minorities</b>	<b>496</b>	<b>762</b>	<b>532</b>
Income tax expense	(85)	(165)	(36)
Non-controlling interests	(8)	(26)	(17)
<b>Net profit after tax</b>	<b>403</b>	<b>571</b>	<b>479</b>

- Interest income up 42% on pcp to \$A605m
  - Growth in lending activities, including acquisition of \$A1.0b Ford Credit and \$A1.0b GMAC portfolios
- Fee and commissions income up 6% on pcp to \$A1,995m
  - Base fees up 12% on pcp driven by Delaware Investments
  - Subdued equity markets, ECM activity down
- Trading income down 34% on pcp to \$A600m
  - Subdued equity markets
  - Adverse trading conditions impacting most Fixed Income, Currencies and Commodities businesses
- Other income up 32% on pcp to \$A405m
  - Increased income from the sale of available for sale securities
  - Increased dividend/distribution income
- Significantly lower impact of writedowns, impairments, equity accounted gains/(losses) and one off items (1H11 profit of \$A56m; 1H10 loss of \$A414m)
- Operating expenses up 23% on pcp to \$A3,165m
  - Increased staff numbers (Sep 10: 15,533; Mar 10: 14,657, Sep 09: 12,758) driven by recent acquisitions and build out of existing businesses and platforms
- Higher tax expense - effective tax rate of 17%, up from 7% in pcp





# Gains/(losses) from writedowns, impairments, equity accounting and one-off items

	Sep 10 \$Am	Mar 10 \$Am	Sep 09 \$Am
Gains from listed fund initiatives <sup>1</sup>	95	125	414
Equity investment impairments	(53)	1	(471)
Equity accounted gains/(losses) <sup>1</sup>	85	(13)	(135)
Loan and trading asset impairments	(77)	(84)	(152)
Net fair value adjustment on fixed rate issued debt	6	(3)	(252)
Liability management			
— MIPS	-	-	127
— Subordinated debt	-	-	55
<b>Gains/(losses) from writedowns, impairments, equity accounting and one-off items</b>	<b>56</b>	<b>26</b>	<b>(414)</b>

- Gains from listed fund initiatives – 1H11 fair value adjustment of investment in MAp Group on reclassification from associate to available for sale

1. Gains from listed fund initiatives is net of \$A62m equity accounted losses on MAp internalisation in 1H10; and net of \$A10m equity accounted losses on MIG internalisation and \$A10m equity accounted losses on MMG internalisation in 2H10. These amounts are not included within equity accounted gains/(losses)



# Macquarie Securities Result

	Sep 10 \$Am	Mar 10 \$Am	Sep 09 \$Am
Net trading income (including net interest) <sup>1</sup>	149	213	266
Brokerage and commissions	372	340	374
Other fee and commission income	91	135	128
Internal revenue and other income <sup>2</sup>	6	10	14
<b>Total operating income (as reported)</b>	<b>618</b>	<b>698</b>	<b>782</b>
Total operating expenses	(524)	(437)	(463)
<b>Net profit contribution<sup>3</sup></b>	<b>94</b>	<b>261</b>	<b>319</b>
Staff numbers	1,734	1,673	1,512

- Net trading income down 44% on 1H10:
  - Derivatives revenues down on pcp due to continued weak product demand for retail and structured products in Asia, Europe and Australia. Market conditions remained weak in most markets
  - Arbitrage Trading activities impacted by low market volatility and volumes
- Brokerage and commission income broadly in line with 1H10:
  - Continued growth in US and Europe driven by recent acquisitions, Fox-Pitt Kelton Cochran Caronia Waller (FPK) in November 2009 and Sal. Oppenheim in April 2010
  - Lower commissions in Asia and Australia due to continued compression of brokerage rates as a result of increased competition and expansion of electronic execution capabilities.
  - Client rankings show the business is maintaining or improving its position with clients and is now considered a strong global player
- Other fee and commission income, down 29% on 1H10
  - Capital raising activity in Australia and Europe down on pcp
  - Increased activity in Asia
- Operating expenses up 13% on 1H10 driven by:
  - Impact of increased headcount due to recent acquisitions

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L 3. Management accounting profit before unallocated corporate costs, profit share and income tax



# Macquarie Capital Result

	Sep 10 \$Am	Mar 10 \$Am	Sep 09 \$Am
Net interest income/(expense) <sup>1</sup>	(65)	(59)	(54)
Mergers and acquisitions, advisory and underwriting	380	450	546
Equity investment income	33	54	57
Operating lease income	30	28	38
Other income	-	(21)	35
Internal revenue <sup>2</sup>	17	20	10
<b>Operating income before writedowns, impairments, equity accounted gains/(losses) and one-off items</b>	<b>395</b>	<b>472</b>	<b>632</b>
Writedowns, impairment charges	(18)	4	(401)
Share of net gains/(losses) of associates	30	2	(24)
<b>Total operating income (as reported)</b>	<b>407</b>	<b>478</b>	<b>207</b>
Total operating expenses	(335)	(396)	(332)
Non-controlling interests	13	(15)	2
<b>Net profit contribution<sup>3</sup></b>	<b>85</b>	<b>67</b>	<b>(123)</b>
Staff numbers	1,471	1,632	1,687

- Interest expense up 20% on pcp resulting from higher interest rates
- Advisory and capital markets activity: 219 deals valued at approx. \$A79b (182 deals valued at approx. \$A57b in pcp)
  - ECM activity down in Australia and Europe, up in Asia
  - More competitive advisory market
- Equity investment income down 42% in line with reduction in asset sales, 1H11 includes Ambow
- Other income in the pcp included unrealised profits on warrants and options
- Writedowns and impairment charges significantly down
- Improved underlying performance of associates and JVs
- Expenses broadly in line with pcp



# Macquarie Funds Result

	Sep 10 \$Am	Mar 10 \$Am	Sep 09 \$Am
Base fees	441	382	315
Performance fees	15	5	17
Net interest expense <sup>1</sup>	(64)	(53)	(44)
Mergers and acquisitions, advisory and underwriting	3	19	20
Other fee and commission income	153	92	61
Equity investment and other income	82	27	35
Internal revenue <sup>2</sup>	24	18	43
<b>Operating income before writedowns, impairments and equity accounted gains/(losses)</b>	<b>654</b>	<b>490</b>	<b>447</b>
Gains from listed fund initiatives	95	158	414
Writedowns, impairment charges	(2)	40	(14)
Share of net gains/(losses) of associates	35	(13)	(91)
<b>Total operating income (as reported)</b>	<b>782</b>	<b>675</b>	<b>756</b>
Total operating expenses	(448)	(359)	(265)
Non-controlling interests	1	-	1
<b>Net profit contribution<sup>3</sup></b>	<b>335</b>	<b>316</b>	<b>492</b>
AUM (\$Ab)	307.9	306.3	188.6
Staff numbers	1,525	1,610	1,277

- Acquisition of Delaware Investments in Jan 10
  - AUM at 31 Mar \$A151b
  - Increased headcount by 521
- Base fees up 40% on pcp to \$A441m
  - Increase in Assets under Management from \$A189b at Sep 09 to \$A308b at Sep 10, driven by Delaware acquisition
  - Offset by decreases in MIRA due to listed fund initiatives and the strengthening of the Australian dollar
- Net interest expense up on pcp:
  - Lower interest income due to the maturity of the retail loan book in MFG's specialist investment offerings
  - Funding costs of Delaware Investments acquisition
- Other fee and commission income up significantly on pcp mainly due to:
  - Distribution service fees in the Delaware Investments business
  - Net True Index gains
  - Fee income in the structured finance business
- Gains from listed fund initiatives – 1H11 fair value adjustment on reclassification to available for sale
- Operating expenses up 69% on pcp mainly due to:
  - Additional employment, integration and distribution service fee expenses in the Delaware business
  - Structured finance fee expenses

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L. 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 3. Management accounting profit before unallocated corporate costs, profit share and income tax.



# Assets under management of \$A317b



1. Includes the impact of net inflows/outflows and movements in AUM driven by changes in listed equity prices.



# Fixed Income, Currencies and Commodities Result

	Sep 10 \$Am	Mar 10 \$Am	Sep 09 \$Am
Commodities <sup>1</sup>	197	325	346
Foreign exchange products <sup>1</sup>	13	35	58
Interest rate products <sup>1</sup>	150	228	144
Fair value adjustments relating to leasing contracts	(32)	9	33
Net trading income including net interest income	328	597	581
Fee and commission income	87	87	68
Other income	82	55	38
Internal revenue <sup>2</sup>	27	52	28
<b>Operating income before writedowns, impairments and equity accounted gains/(losses)</b>	<b>524</b>	<b>791</b>	<b>715</b>
Writedowns, impairment charges	10	(3)	(73)
Share of net gains of associates	15	8	3
<b>Total operating income (as reported)</b>	<b>549</b>	<b>796</b>	<b>645</b>
Total operating expenses	(382)	(337)	(277)
<b>Net profit contribution<sup>3</sup></b>	<b>167</b>	<b>459</b>	<b>368</b>
Staff numbers	953	884	796

- Commodities trading income down 43% on pcp:
  - Challenging trading conditions during the period
  - Lower client term hedging activity in some commodity markets
  - Freight market volatility fell during the period
- Foreign Exchange income down 78% on pcp:
  - Global volatility in currency markets remained suppressed
  - The higher Australian dollar impacted the level of client term hedging
- Interest rate products up 4% on pcp:
  - Normalisation in credit markets following the rallies in the prior period
- Fee and commission income up 28% on pcp:
  - Improved volumes in futures execution and clearing markets
- Other income up on pcp driven by net profit interests and royalties from participants in the metals and energy sector
- Expenses up 38% on pcp associated with:
  - Continued build out of the credit trading and emerging markets businesses and their expansion into Europe
  - Establishment of the new Asian Markets business in Singapore

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L 3. Management accounting profit before unallocated corporate costs, profit share and income tax



# Corporate and Asset Finance Result

	Sep 10 \$Am	Mar 10 \$Am	Sep 09 \$Am
Net interest income <sup>1</sup>	282	222	160
Fee, commission and trading income	9	10	39
Operating lease income	41	35	33
Other income	42	22	32
Internal revenue <sup>2</sup>	12	14	18
<b>Operating income before writedowns, impairments and equity accounted gains/(losses)</b>	<b>386</b>	<b>303</b>	<b>282</b>
Writedowns, impairment charges	(24)	(67)	(48)
Share of net gains of associates	6	(6)	1
<b>Total operating income (as reported)</b>	<b>368</b>	<b>230</b>	<b>235</b>
Total operating expenses	(135)	(103)	(105)
Non-controlling interests	-	(1)	(1)
<b>Net profit contribution<sup>3</sup></b>	<b>233</b>	<b>126</b>	<b>129</b>
Staff numbers	844	717	614

- Interest income up significantly:
  - Loan and finance lease portfolios \$A15.9b at Sep10, up 30% from \$A12.2b at Sep 09
  - Acquisition of \$A1.0b Ford Credit portfolio in Oct 09 and \$A1.0b GMAC portfolio in April 10
- Fee, commission and trading income in pcp was primarily due to mark-to-market gains on options and equity securities
- Operating lease income up 24% on prior year due to acquisition of aircraft lease portfolio from International Lease Finance Corporation
- Impairment charges largely relate to collective provisioning due to growth in the loan and lease portfolios
- Lower charge compared to pcp reflective of reduced underlying loss rates
- Operating expenses up 29% driven by increased headcount.

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L 3. Management accounting profit before unallocated corporate costs, profit share and income tax





# Banking and Financial Services Result

	Sep 10 \$Am	Mar 10 \$Am	Sep 09 \$Am
Net interest income <sup>1</sup>	345	297	254
Base fees	54	97	102
Brokerage and commissions	130	119	105
Platform and other fee and commission income	170	129	135
Income from life insurance business and other unit holder businesses	26	22	18
Other income	13	11	2
Internal revenue <sup>2</sup>	2	7	4
<b>Operating income before writedowns, impairments and equity accounted gains/(losses)</b>	<b>740</b>	<b>682</b>	<b>620</b>
Share of net gains/(losses) of associates, writedowns, impairment charges	(22)	(19)	(32)
<b>Total operating income (as reported)</b>	<b>718</b>	<b>663</b>	<b>588</b>
Total operating expenses	(576)	(536)	(448)
Non-controlling interests	(5)	(3)	(3)
<b>Net profit contribution<sup>3</sup></b>	<b>137</b>	<b>124</b>	<b>137</b>
AUM (\$Ab)	4.1	14.3	17.0
FUM / FUA <sup>4</sup> (\$Ab)	119.2	120.0	106.5
Staff numbers	3,349	3,268	2,628

## Net interest income growth

- Retail deposits up 91% from \$A13.9b at Sep 09 to \$A26.5b at Sep10 primarily due to conversion of Cash Management Trust to Cash Management Account in July 10
- Australian mortgage portfolio down from \$A15.9b at Sep 09 to \$A12.9b at Sep 10
- Canadian loan portfolio up from \$A5.1b at Sep 09 to \$A8.2b at Sep 10

## Base fees down 47% on pcp

- CMT conversion to CMA

## Brokerage and commissions income up 24% on pcp driven by acquisition of Blackmont Capital in Dec 09

## Platform and other fee and commission income up 26% on pcp

- Average Wrap platform volumes up 10% on pcp

## Writedowns, impairment charges include

- Loan impairments (\$A15m)
- Other Impairment charges (\$A7m)

## Operating expenses up 29% due to growth in staff numbers and integration expenses

- Blackmont acquisition added 398 staff in Dec 09, integration completed Sep 2010

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L 3. Management accounting profit before unallocated corporate costs, profit share and income tax 4. Funds under management / advice / administration ("FUM / FUA" ) includes AUM, funds on BFS platforms (e.g. Wrap FUA), total loan & deposit portfolios, client CHESS holdings and funds under advice (e.g. Macquarie Private Bank)



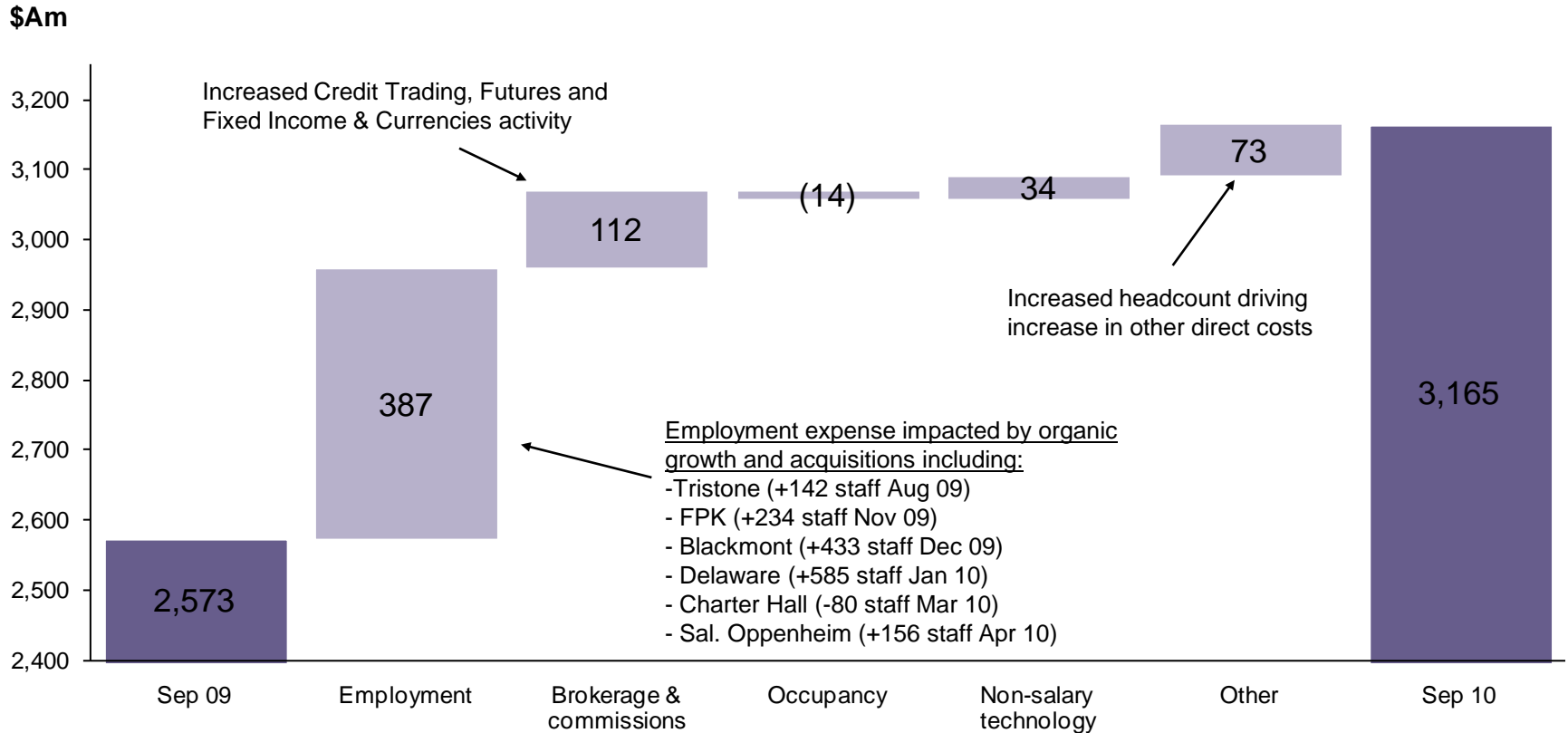


# Real Estate Banking Result

	Sep 10 \$Am	Mar 10 \$Am	Sep 09 \$Am
Net interest income/(expense) <sup>1</sup>	(9)	(18)	(25)
Base fees	1	5	25
Performance fees	-	-	35
Other income	9	5	5
Internal revenue <sup>2</sup>	2	5	-
<b>Operating income before writedowns, impairments and equity accounted gains/(losses)</b>	<b>3</b>	<b>(3)</b>	<b>40</b>
Loss on listed fund initiatives	-	(33)	-
Writedowns, impairment charges	(13)	(28)	(60)
Share of net gains/(losses) of associates	(1)	(4)	(21)
<b>Total operating income (as reported)</b>	<b>(11)</b>	<b>(68)</b>	<b>(41)</b>
Total operating expenses	(14)	(17)	(17)
<b>Net profit contribution<sup>3</sup></b>	<b>(25)</b>	<b>(85)</b>	<b>(58)</b>
AUM (\$Ab)	5.0	5.0	10.7
Staff numbers	63	73	78

- Net interest expense down from \$A25m in Sep 09 to \$A9m in Sep 10 due to reduction in investment portfolio
- Base and performance fees down significantly on pcp Sep 09 included fees earned on sale of Macquarie Central Office CR-REIT Kukdong building in Korea
- Writedowns, impairment charges of \$A13m significantly reduced from pcp
- Operating expenses down 18% due to reduction in investment portfolio

- Expenses up 23% on pcp; compensation ratio 47.9% (1H10: 45.2%)
  - Employment expenses up 26% on pcp, headcount up 22% (Sep 10: 15,533; Sep 09: 12,758)
- Expense to income ratio 86% (1H10: 83%)





# Taxation

	1H11 \$Am	2H10 \$Am	1H10 \$Am
Net profit before tax	496	762	532
Add back: writedowns and impairment charges	45	96	758
Net profit before impairments and tax	541	858	1,290
Prima facie tax @ 30%	162	257	387
Income tax permanent differences	(63)	(63)	(124)
<b>Income tax expense (before effect of impairments)</b>	<b>99</b>	<b>194</b>	<b>263</b>
<b><i>Implied effective tax rate<sup>1</sup></i></b>	<b>19%</b>	<b>23%</b>	<b>21%</b>
Prima facie tax of write downs and impairment charges @ 30%	(14)	(29)	(227)
<b>Income tax expense/(benefit)</b>	<b>85</b>	<b>165</b>	<b>36</b>
<b><i>Actual effective tax rate<sup>1</sup></i></b>	<b>17%</b>	<b>22%</b>	<b>7%</b>

1. The effective tax rate is calculated on net profit before tax and after non-controlling interests. Non-controlling interests reduce net profit before tax by \$A8m in 1H11, \$A26m in 2H10, and \$A17m in 1H10



# Balance sheet highlights

- Balance sheet remains solid and conservative
  - Term assets covered by term funding and equity
  - Surplus cash and liquids continue to be deployed
- Retail deposits continuing to grow, up 91% to \$A26.5b at Sep 10 from Sep 09
  - On 31 July 10, \$A9.6b of CMT funds transferred to Macquarie's CMA
  - Strong inflows into the CMA, increasing \$A3.3b since Sep 09 in addition to \$A9.6b CMT transfer
- \$A4.3b of new term funding raised since 31 Mar 10
  - \$A0.9b MBL 10 year unsecured and subordinated debt issuance
  - \$A0.5b MGL 7 year US 144a bond issuance
  - \$A2.9b mortgage and motor vehicle securitisations
- Capital of \$A11.6b, \$A2.9b in excess of the Group's minimum regulatory capital requirement
  - MBL Banking Group tier 1 capital ratio 10.8% (11.7% Sep 09)

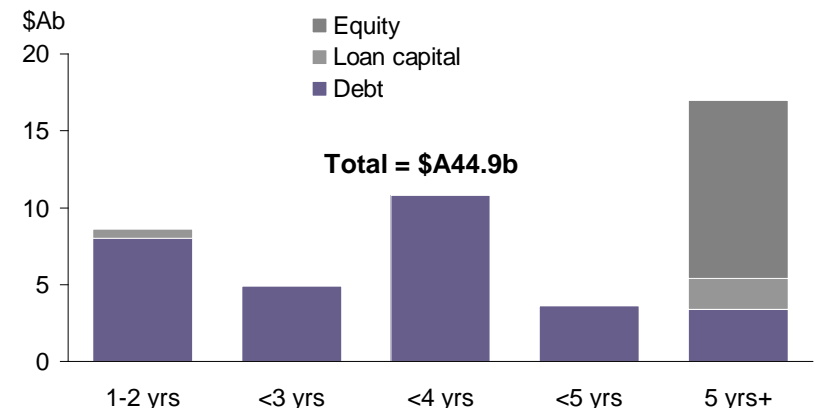


# Funded balance sheet

	Sep 10 \$Ab	Mar 10 \$Ab
<b>Funding sources</b>		
Wholesale issued paper:		
Negotiable certificates of deposit	1.4	1.9
Commercial paper	1.0	3.0
Net trade creditors	-	0.4
Structured notes	3.1	2.8
Secured funding	9.6	8.3
Bonds	17.5	17.5
Other loans	0.3	0.7
Senior credit facility	6.7	6.9
Corporate/wholesale deposits	4.7	4.1
Retail deposits	26.5	15.5
Loan capital <sup>1</sup>	2.6	2.0
Equity and hybrids <sup>2</sup>	11.6	11.8
<b>Total funding sources</b>	<b>85.0</b>	<b>74.9</b>
<b>Funded assets</b>		
Cash and liquid assets	26.5	22.2
Net trading assets	14.4	12.7
Loan assets < 1 year	7.9	7.2
Loan assets > 1 year	24.2	22.3
Assets held for sale	0.1	0.1
Debt investment securities	3.4	2.8
Co-investment in Macquarie-managed funds and equity investments	5.8	5.5
Property, plant & equipment and intangibles	2.1	2.1
Net trade debtors	0.6	-
<b>Total funded assets</b>	<b>85.0</b>	<b>74.9</b>

- Well diversified funding sources
- Retail deposit base continues to grow, representing a stable and reliable source of funding
- Term funding beyond one year (excluding equity) has a weighted average term to maturity of 3.7 years

## Term funding (drawn and undrawn<sup>3</sup>) maturing beyond one year (including equity)

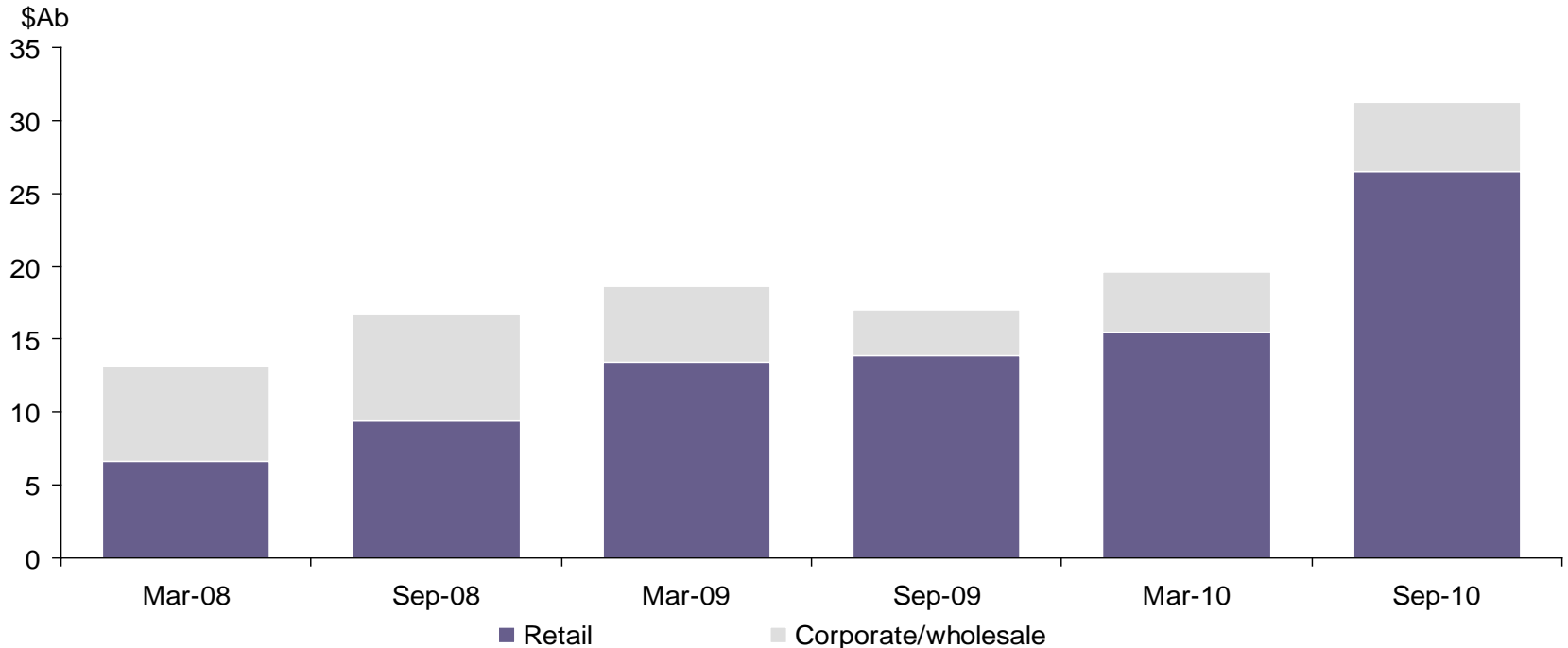


1. This includes Convertible Preference Securities. 2. Equity includes ordinary capital and Macquarie Income Securities of \$A0.4b, and Hybrids include the Macquarie Income Preferred Securities of \$A0.1b. 3. Undrawn term facilities for the Group include \$A0.5b undrawn of the Senior Credit Facility.



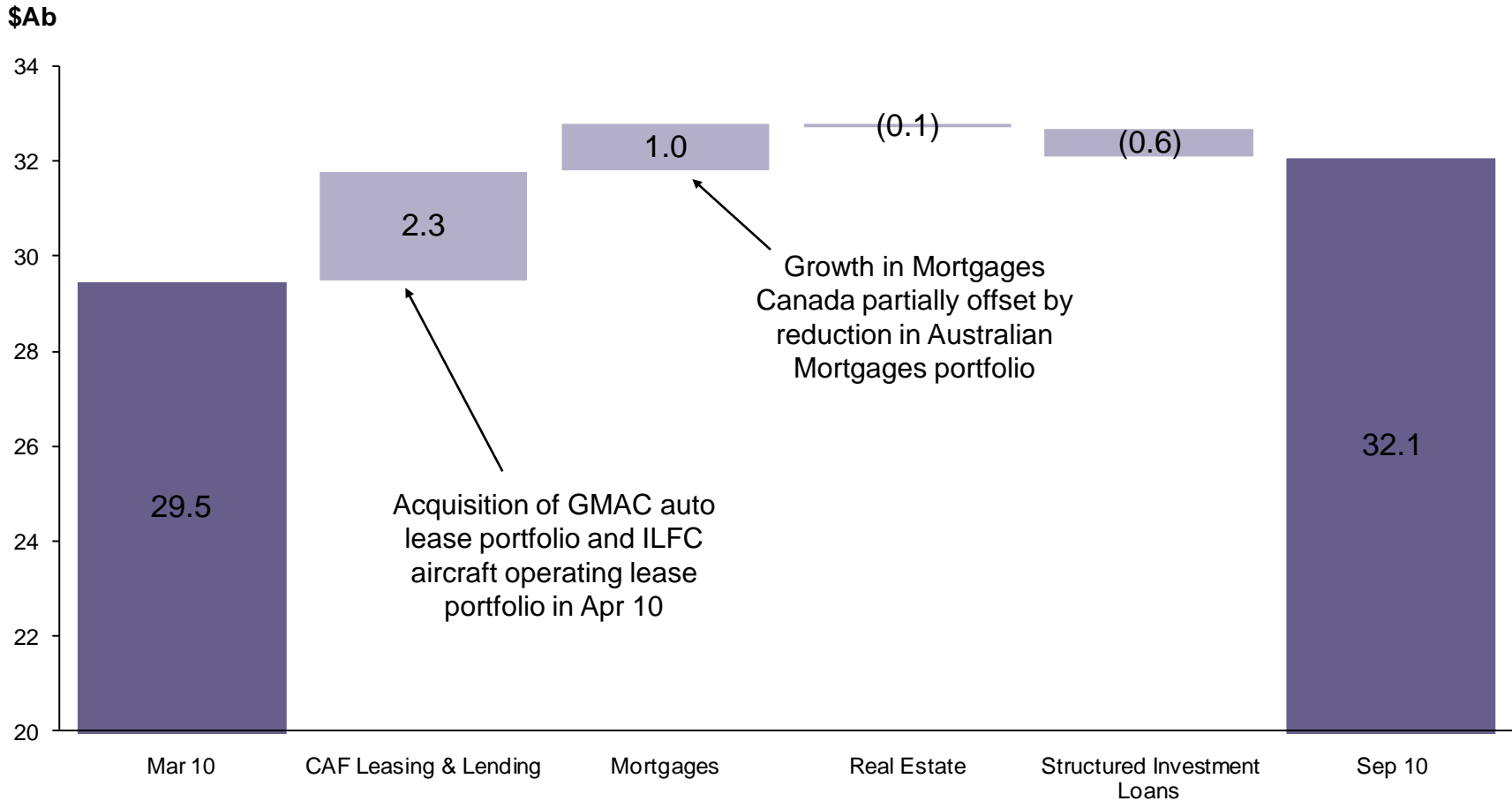
# Continued retail deposit growth

- Macquarie has been successful in pursuing its strategy of diversifying its funding sources through growing its deposit base
  - On 31 Jul 10 \$A9.6b of CMT funds transferred to Macquarie's CMA
  - Strong inflows in to the CMA, increasing \$A3.3b since Sep 09 in addition to \$A9.6b CMT transfer
  - Focus has been on improving the composition and quality of the deposit base





# Growth of loan and lease asset portfolio







# Loan and lease asset portfolio quality

Loan category	Net carrying value	Provisions coverage	Net carrying value	Provisions coverage	
	Sep 10 \$Ab	Sep 10 % <sup>1</sup>	Mar 10 \$Ab	Mar 10 % <sup>1</sup>	
Mortgages					Secured by residential mortgages and supported by mortgage insurance
- Australia	1.9	0.9%	2.2	0.7%	▪ Aust: arrears <sup>2</sup> = 1.1%, most loans are fully mortgage insured
- US	0.9	2.1%	0.9	1.9%	▪ US: arrears <sup>2</sup> = 6.6%, majority of loans where LVR > 80% are mortgage insured
- Canada	8.0	-	6.7	-	▪ Canada: most loans are fully insured with underlying government support
Structured investments	3.4	0.9%	4.0	1.1%	Retail loans to invest in various investment funds. Secured by investments with value protected by capital guarantees at maturity. Underlying assets primarily include direct and indirect equities and cash
Banking	3.6	1.3%	3.6	1.1%	Secured relationship managed loan portfolio of \$A3.2b to professional and financial services firms, real estate industry clients, insurance premium funding and other small business clients. Secured largely by real estate, working capital and business cash flows and credit insurance; Other consumer lending of \$A0.4b including credit cards
Real estate	0.5	20.9%	0.6	16.7%	Loans secured against real estate, subject to regular independent valuations. Large impairment provisions
Resources and commodities	1.5	8.0%	1.7	8.7%	Diversified loan portfolio primarily to resources sector that are secured by the underlying assets. Secured by gold, base metals and oil resources and supported by price hedging
CAF leasing	5.9	0.7%	3.7	1.3%	Secured by underlying leased assets (motor vehicles, aircraft and specialised equipment), diversified portfolio by geography and security asset class
CAF lending <sup>3</sup>	5.2	1.6%	5.1	1.4%	Diversified corporate lending, subject to regular recoverability review in relation to a diverse range of corporate assets and other securities.
Other lending	1.2	2.9%	1.0	3.0%	Includes: <ul style="list-style-type: none"> <li>▪ aircraft operating lease portfolio to single counterparty with average aircraft life &lt;3 years, all aircraft residual values insured.</li> <li>▪ amounts on deposit with financial institutions as collateral for trading positions.</li> <li>▪ other secured lending, subject to regular recoverability review. Secured by diverse range of corporate assets and other securities.</li> </ul>
Total loan assets <sup>4</sup>	32.1		29.5		

1. Coverage % based on total collective and specific provisions divided by gross loan value at 30 Sep 10 2. Arrears based on 90+ days past due at 30 Sep 10 across all mortgage portfolios 3. Excludes assets recorded as Debt Investment Securities 4. Per the funded balance sheet, including loan assets held at amortised cost, loan assets held at fair value through P&L and operating lease assets held as other assets



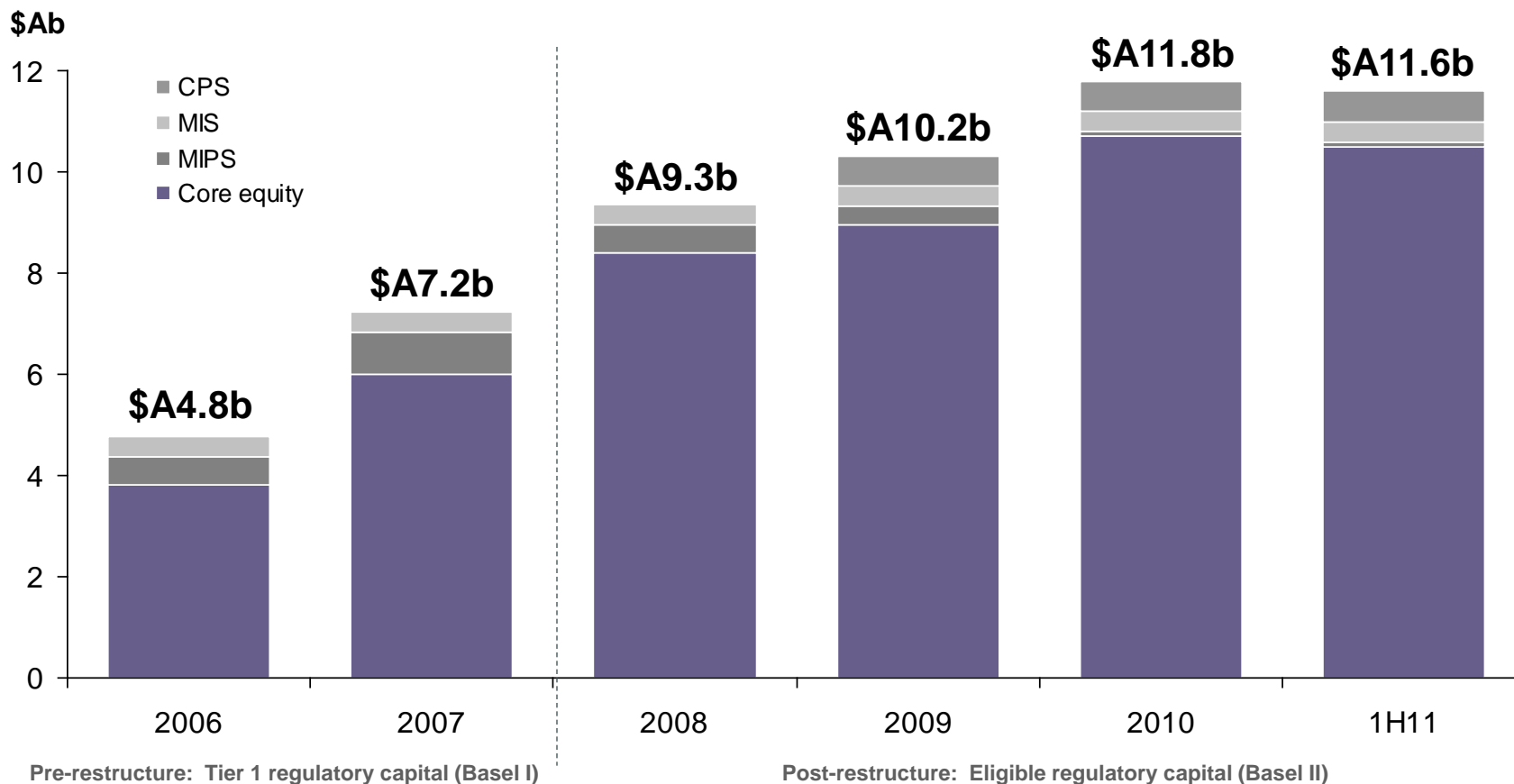
# Equity investments of \$A5.6b

Category	Carrying value Sep 10 \$Am	Carrying value Mar 10 \$Am	Description
Debt investment entities	167	225	Largely relates to holding in Diversified CMBS Investments Inc. Underlying investments are commercial mortgage-backed securities that are highly rated
Energy and resources	362	289	Over 100 separate investments
Finance, investment, funds management and exchanges	749	748	Significant investments include Macquarie AirFinance, MGPA and Charter Hall Limited. Investments in exchange seats including ASX, Korea, Tokyo, Chicago
Real Estate	581	547	Represents property and JV investments/loans. Includes investments in Spirit Finance, Medallist, Goodman Group, Charter Hall Retail REIT and Charter Hall Office REIT.
Telecos, internet, media and entertainment	314	271	Includes investments in Macquarie Zhaophon Holdings and Southern Cross Media Group Limited
Transport, industrial and infrastructure	2,202	2,242	Includes investments in Miclyn Express Offshore, BrisConnections, Intoll Group and MAP Group.
Macquarie Funds (MIRA) managed funds	809	787	Diversified Utility & Energy Trust, Macquarie Atlas Roads Limited, Macquarie Infrastructure Company, Macquarie International Infrastructure Fund, Macquarie Korea Infrastructure Fund, MAIP, MIP funds and Macquarie European Infrastructure Funds
Other Macquarie managed funds	368	388	Includes investments that hedge DPS plan liabilities
Held for sale	75	118	Investments classified as HFS when it's highly probable that the asset will be sold in the subsequent 12 months
	<b>5,627</b>	<b>5,615</b>	
<b>Unrealised gain/(loss) on listed investments<sup>1</sup></b>	<b>6</b>		

1. Based on share prices as at 26 Oct 2010 for current and previously Macquarie managed funds

# Consistently strong capital base

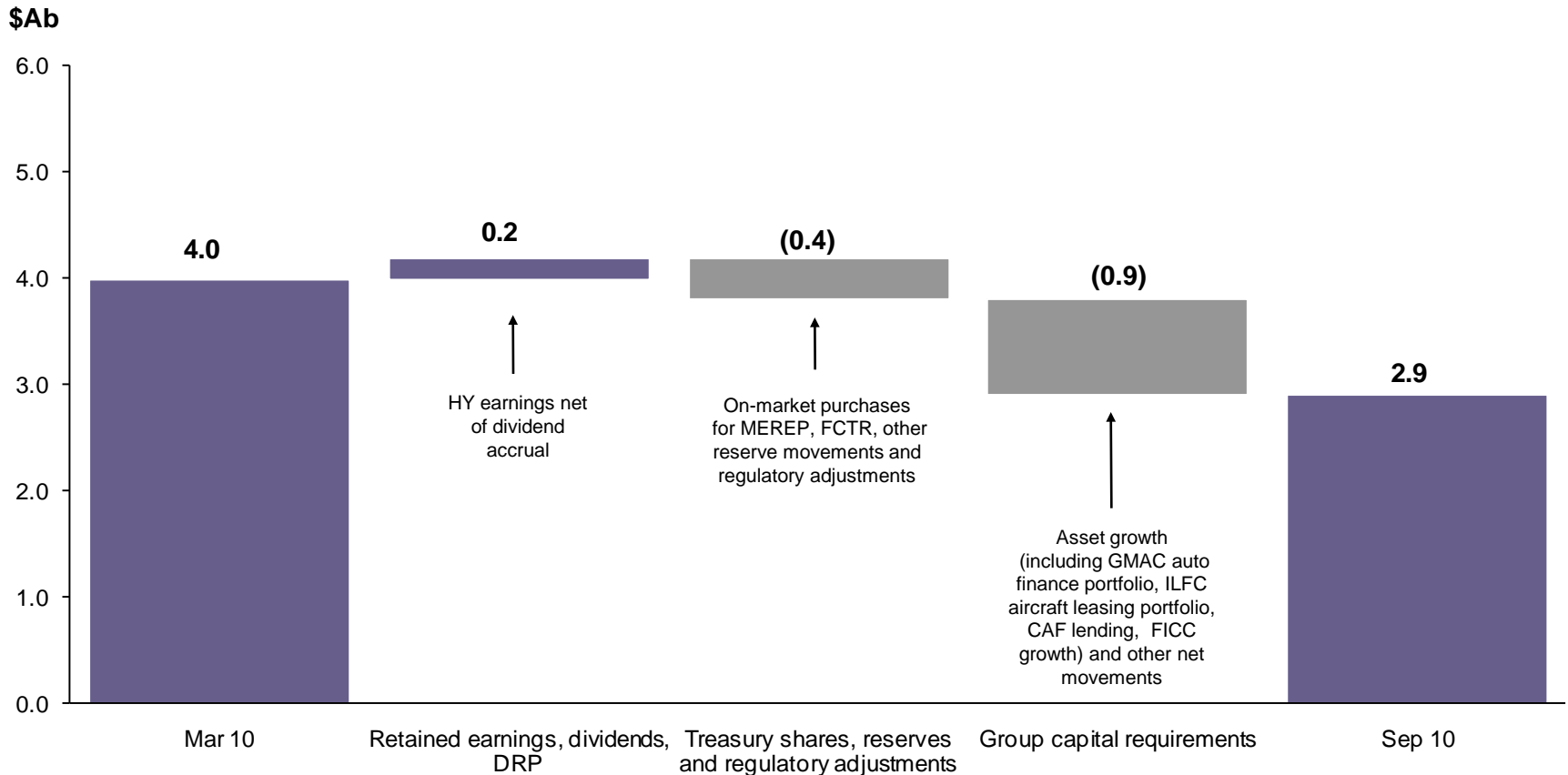
- Well capitalised – surplus over Group’s minimum regulatory capital requirement of \$A2.9b
- Core equity represents 90% of the Group’s capital base
- Capital reduced in 1H11 due to MEREP on-market purchase and FX movements





# Group capital surplus of \$A2.9b

- Group capital of \$A11.6b at 30 Sep 10, a \$A2.9b buffer of capital in excess of the Group's minimum regulatory capital requirements
- Strong Banking Group capital ratios - Tier 1: 10.8%; Total Capital: 12.8%





# Basel III regulatory changes

## Main elements of Basel III capital changes:

- More conservative risk-weighting of assets and stricter capital deduction regime
- Increased minimum capital ratios
  - Minimum Common Equity ratio of 4.5% (new requirement)
  - Minimum Tier 1 ratio 6% (up from 4% - though APRA has always imposed higher bank-specific minimums)
  - Minimum Total Capital ratio of 8% (unchanged)
- Additional Capital Conservation Buffer of 2.5%
- Countercyclical Buffer which will vary between 0 and 2.5% (not yet identified for any economy)
- A revised definition of eligible capital, in particular the treatment of hybrid instruments. The new rules are not expected to materially reduce eligibility of MBL's existing hybrid capital.
- Leverage ratio of 3%

## Estimated Impact

- There is still some uncertainty as to the final impact, including the need for APRA to determine its implementation of the new requirements
- Our current substantial surplus should accommodate the proposed changes
- It is likely MBL will operate with a reduced capital surplus over minimum requirements under Basel III



# Liquidity regulatory developments

## Liquidity Coverage Ratio (LCR)

- LCR is subject to observation period prior to being introduced as a minimum requirement in January 2015
- Macquarie estimates that it meets the overall quantum of liquid assets required by the LCR
- However, whilst liquid assets are almost entirely comprised of RBA eligible securities, as with other Australian ADIs, they include assets that do not meet the narrow Basel definition: effectively cash and government bonds
- Australia has insufficient government bonds on issue to meet the combined liquid asset requirements of local banks. Basel has indicated that for countries in this position, they will provide scope within the proposals to facilitate compliance with the regulations

## Net Stable Funding Ratio (NSFR)

- NSFR is subject to an observation period prior to being introduced as a minimum requirement in 2018
- Macquarie does not rely on short term funding and the liquidity policy requires that term assets are funded with term funding
- Macquarie will continue to monitor developments with the NSFR, including details regarding definitions and calibration



MACQUARIE

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Appendix

Additional Information – Funding

**Macquarie Group Limited**

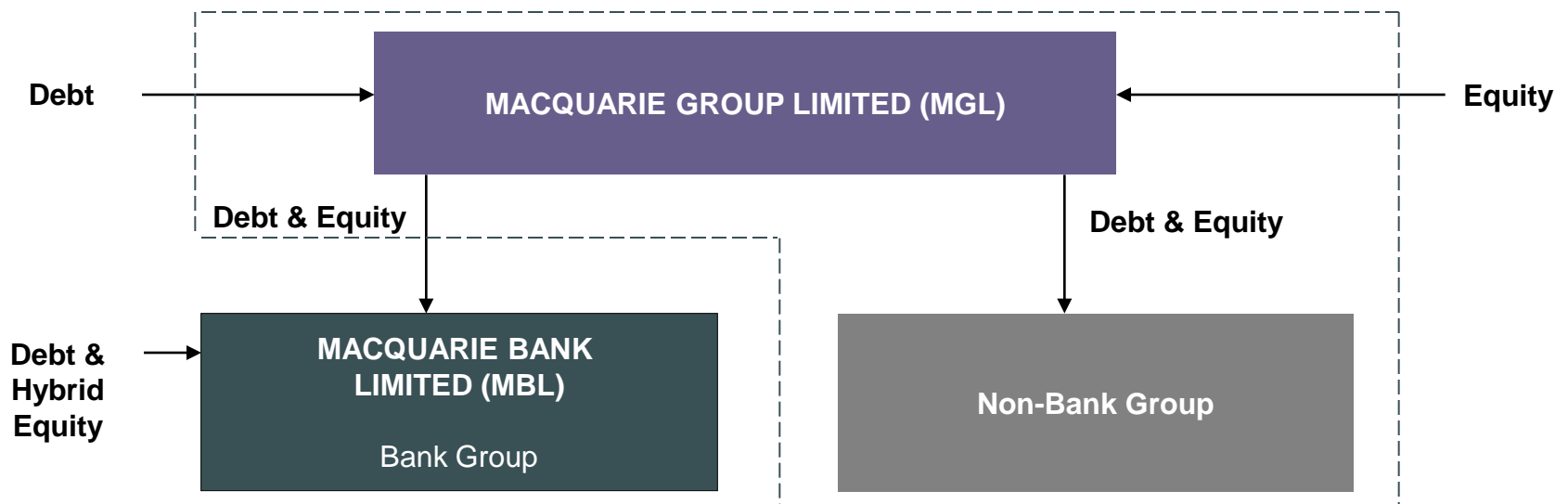
Result Announcement for the year ended 30 September 2010

29 October 2010 – Presentation to Investors and Analysts



# Group funding structure

- MGL and MBL are the Group's two primary external funding vehicles which have separate and distinct funding, capital and liquidity management arrangements
- MBL provides funding to the Bank Group
- MGL provides funding predominantly to the Non-Bank Group





# Funded balance sheet reconciliation

- The Group's statutory balance sheet is prepared based on generally accepted accounting principles which do not represent actual funding requirements
- A funded balance sheet reconciliation has been prepared to reconcile the reported assets of the consolidated Group to the assets that require funding

	Sep 10 \$Ab	Mar 10 \$Ab
<b>Total assets per Statutory Balance Sheet</b>	<b>158.1</b>	<b>145.9</b>
<b><i>Deductions:</i></b>		
Self funded trading assets	(16.6)	(15.4)
Derivative revaluation accounting gross ups	(21.8)	(21.2)
Life investment contracts and segregated assets	(8.3)	(7.3)
Broker settlement balances	(7.4)	(5.7)
Working capital assets	(6.0)	(6.6)
<b><i>Less non-recourse funded assets:</i></b>		
Securitised assets and non-recourse warehouses	(13.0)	(14.8)
<b>Total assets per Funded Balance Sheet</b>	<b>85.0</b>	<b>74.9</b>



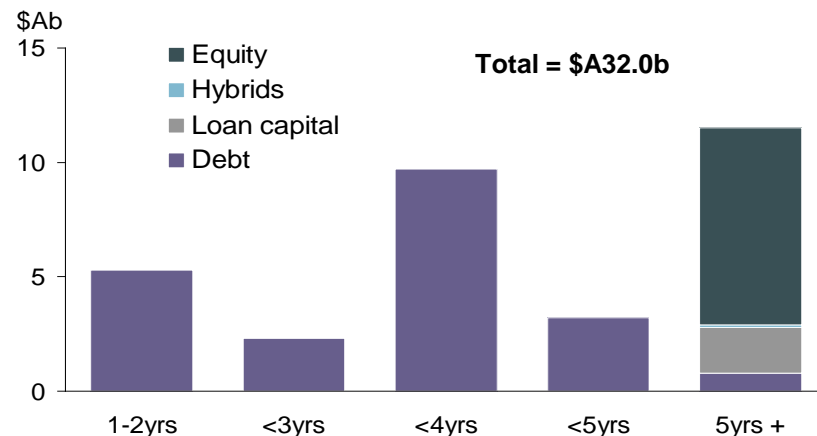
# Funding for the Bank Group

30 Sep 2010

	Sep 10 \$Ab	Mar 10 \$Ab
<b>Funding sources</b>		
Negotiable certificates of deposit	1.4	1.9
Commercial paper	1.0	3.0
Structured notes	2.7	2.6
Secured funding	9.0	7.7
Bonds	14.0	14.3
Other loans	-	0.2
Corporate/wholesale deposits	4.7	4.1
Retail deposits	26.5	15.5
Loan capital	2.0	1.4
Equity and hybrids <sup>1</sup>	8.7	8.5
<b>Total funding sources</b>	<b>70.0</b>	<b>59.2</b>
<b>Funded assets</b>		
Cash and liquid assets	24.1	20.1
Net trading assets	13.4	11.3
Loan assets < 1 year	7.7	6.8
Loan assets > 1 year	23.3	21.3
Assets held for sale	-	0.1
Debt investment securities	3.2	2.5
MBL intra-group loan to MGL	1.2	1.2
Non-Banking Group deposit with MBL	(6.4)	(6.9)
Co-investment in Macquarie-managed funds and equity investments	1.8	1.6
Net trade debtors	0.5	0.1
Property, plant & equipment and intangibles	1.2	1.1
<b>Total funded assets</b>	<b>70.0</b>	<b>59.2</b>

- Bank balance sheet remains very liquid, well capitalised and with a diversity of funding sources
- Term funding beyond one year (excluding equity) has a weighted average term to maturity of 3.7 years
- Retail deposits of Macquarie Bank Limited benefit from the guarantee provided by the Australian Government<sup>2</sup>

## Term funding (drawn and undrawn<sup>3</sup>) maturing beyond one year (including equity)



1. Equity includes ordinary capital and Macquarie Income Securities of \$A0.4b. Hybrids include the Macquarie Income Preferred Securities of \$A0.1b 2. The first \$A1m of aggregate retail deposits held by an individual is guaranteed under the Financial Claims Scheme 3. There are no undrawn term facilities for the Bank Group at 30 Sep 10



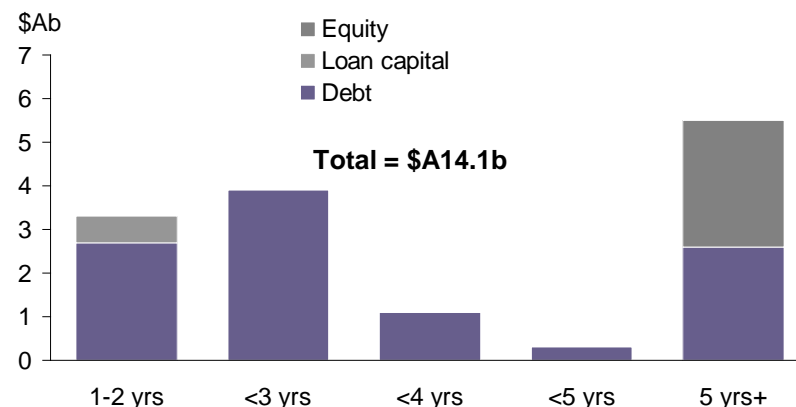
# Funding for the Non-Bank Group

## 30 Sep 2010

	Sep 10 \$Ab	Mar 10 \$Ab
<b>Funding sources</b>		
MBL intra-group loan to MGL	1.2	1.2
Net trade creditors	-	0.5
Structured notes	0.4	0.2
Bonds	3.5	3.2
Secured funding	0.6	0.6
Other loans	0.3	0.5
Senior credit facility	6.7	6.9
Loan capital <sup>1</sup>	0.6	0.6
Equity	2.9	3.3
<b>Total funding sources</b>	<b>16.2</b>	<b>17.0</b>
<b>Funded assets</b>		
Cash and liquid assets	2.4	2.1
Non Banking Group deposit with MBL	6.4	6.9
Net trading assets	1.0	1.4
Loan assets < 1 year	0.2	0.4
Loan assets > 1 year	0.9	1.0
Assets held for sale	0.1	-
Debt investment securities	0.2	0.3
Co-investment in Macquarie-managed funds and equity investments	4.0	3.9
Property, plant & equipment and intangibles	0.9	1.0
Net trade debtors	0.1	-
<b>Total funded assets</b>	<b>16.2</b>	<b>17.0</b>

- Non-Bank Group is predominantly term funded
- Term funding beyond one year (excluding equity) has a weighted average term to maturity of 3.5 years
- MBL intra-group loan has been amortised to \$A1.2b with the remainder maturing in 2012

### Term funding (drawn and undrawn<sup>2</sup>) maturing beyond one year (including equity)



1. This includes Convertible Preference Securities 2. Undrawn term facilities for the Non-Bank include \$0.5b undrawn on the Senior Credit Facility



# Explanation of Funded Balance Sheet reconciling items

- **Self funded trading assets:** There are a number of entries on the balance sheet that arise from the normal course of trading activity we conduct with our clients and counterparties. They typically represent both sides of a transaction. The entries off-set each other as both the asset and liability positions are recorded separately. Where these entries are matched, they do not require funding.
- **Derivative re-valuation accounting gross ups:** Macquarie's derivative activities are mostly client driven with client positions hedged by off-setting positions. The derivatives are largely matched and this adjustment reflects that the matched positions do not require funding.
- **Life investment contracts and other segregated assets:** These represent the assets and liabilities that are recognised where we have products such as investment-linked policy contracts. The policy (contract) liability will be matched by assets held to the same amount and hence do not require funding.
- **Broker settlement balances:** At any particular time our broking business will have outstanding trades to settle with other brokers. These amounts (payables) can be offset in terms of funding by amounts that we are owed at the same time by brokers on other trades (receivables).
- **Short term working capital assets:** As with the broker settlement balances above, Macquarie through its day-to-day operations generates working capital assets (e.g. receivables and prepayments) and working capital liabilities (e.g. creditors and accruals) that produce a 'net balance' that requires funding rather than the gross balance.
- **Securitised assets and non-recourse warehouses:** Some lending assets (mortgages and leasing) are commonly sold down into external securitisation entities or transferred to external funding warehouses. As a consequence they are non-recourse to Macquarie and are funded by third parties rather than Macquarie.



MACQUARIE

# B

Appendix

Additional Information – Capital

**Macquarie Group Limited**

Result Announcement for the half year ended 30 September 2010

29 October 2010 – Presentation to Investors and Analysts



# Macquarie Group regulatory capital Surplus calculation

	\$Am	
Macquarie Group eligible capital:		
Banking Group Gross Tier 1 capital	8,446	
Non-Bank eligible capital	3,148	
<b>Eligible capital</b>	<b>11,594</b>	<b>(a)</b>
Macquarie Group capital requirement:		
Banking Group contribution		
Risk-weighted assets (excluding intra-group exposures) <sup>1</sup>	53,363	
Internal minimum Tier 1 ratio (Bank)	7%	
Capital required to cover risk-weighted assets	3,735	
Tier 1 deductions	2,664	
<b>Banking Group contribution</b>	<b>6,399</b>	
Non-Banking Group contribution		
	2,328	
<b>Capital requirement</b>	<b>8,727</b>	<b>(b)</b>
<b>Surplus over Group's minimum regulatory capital requirement</b>	<b>2,867</b>	<b>(a)-(b)</b>

1. In calculating the Bank's contribution to Group capital requirement, RWA associated with exposures to the Non-Bank are eliminated (\$A330m as at Sep 10)





# Macquarie Group regulatory capital

## Banking Group contribution

	Risk-weighted assets \$Am	Tier 1 Deductions \$Am	Capital Requirement <sup>1</sup> \$Am
Credit and equity risk			
On balance sheet	28,626		2,004
Off balance sheet	13,116		918
Credit and equity risk subtotal	41,742		2,922
Market risk	3,073		215
Operational risk	6,984		489
Other	1,564	2,664	2,773
Contribution to Group capital calculation	53,363	2,664	6,399
MBL intra-group loan to MGL	330 <sup>2</sup>		
Banking Group standalone risk-weighted assets	53,693		

1. The capital requirement is calculated as the capital required for RWA, at the internal minimum Tier 1 ratio of the Banking Group (7%), plus Tier 1 deductions 2. Intra-group loan eliminated for calculation of Group capital requirement



# Macquarie Group regulatory capital Non-Banking Group framework

- APRA has specified a regulatory capital framework for MGL
- A dollar capital surplus is produced; no capital ratio calculation is specified
- APRA has approved Macquarie's Economic Capital Adequacy Model (ECAM) for use in calculating the regulatory capital requirement of the Non-Banking Group
- Any significant changes to the ECAM must be approved by the MGL Board and notified to APRA within 14 days
- The ECAM is based on similar principles and models as the Basel II regulatory capital framework for Banks, with both calculating capital at a one year 99.9% confidence level:

Risk <sup>1</sup>	Basel II	ECAM
<b>Credit</b>	<ul style="list-style-type: none"> <li>▪ Capital requirement determined by Basel II formula, with some parameters specified by the regulator (e.g. loss given default)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Capital requirement determined by Basel II formula, but with internal estimates of some parameters</li> </ul>
<b>Equity</b>	<ul style="list-style-type: none"> <li>▪ Simple risk-weight approach or deductions. Tier 1 capital requirement between 24% and 50% of face value<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>▪ Extension of Basel II credit model to cover equity exposures. Capital requirement between 39% and 82% of face value; average 51%</li> </ul>
<b>Market</b>	<ul style="list-style-type: none"> <li>▪ 3 times 10 day 99% Value at Risk (VaR) plus a specific risk charge</li> </ul>	<ul style="list-style-type: none"> <li>▪ Scenario-based approach</li> </ul>
<b>Operational</b>	<ul style="list-style-type: none"> <li>▪ Basel II Advanced Measurement Approach</li> </ul>	<ul style="list-style-type: none"> <li>▪ Basel II Advanced Measurement Approach</li> </ul>

1. The ECAM also covers insurance underwriting, non-traded interest rate risk and the risk on assets held as part of business operations, e.g. fixed assets, goodwill, intangible assets, capitalised expenses and certain minority stakes in associated companies or stakes in joint ventures 2. Assuming an 8% Tier 1 ratio, the 300% and 400% risk weightings for equity exposures under Basel II equate to a capital requirement of 24% or 32%. Any deductions required for equity exposures are 50/50 Tier 1 and Tier 2, hence a 50% Tier 1 capital requirement



# Macquarie Group regulatory capital

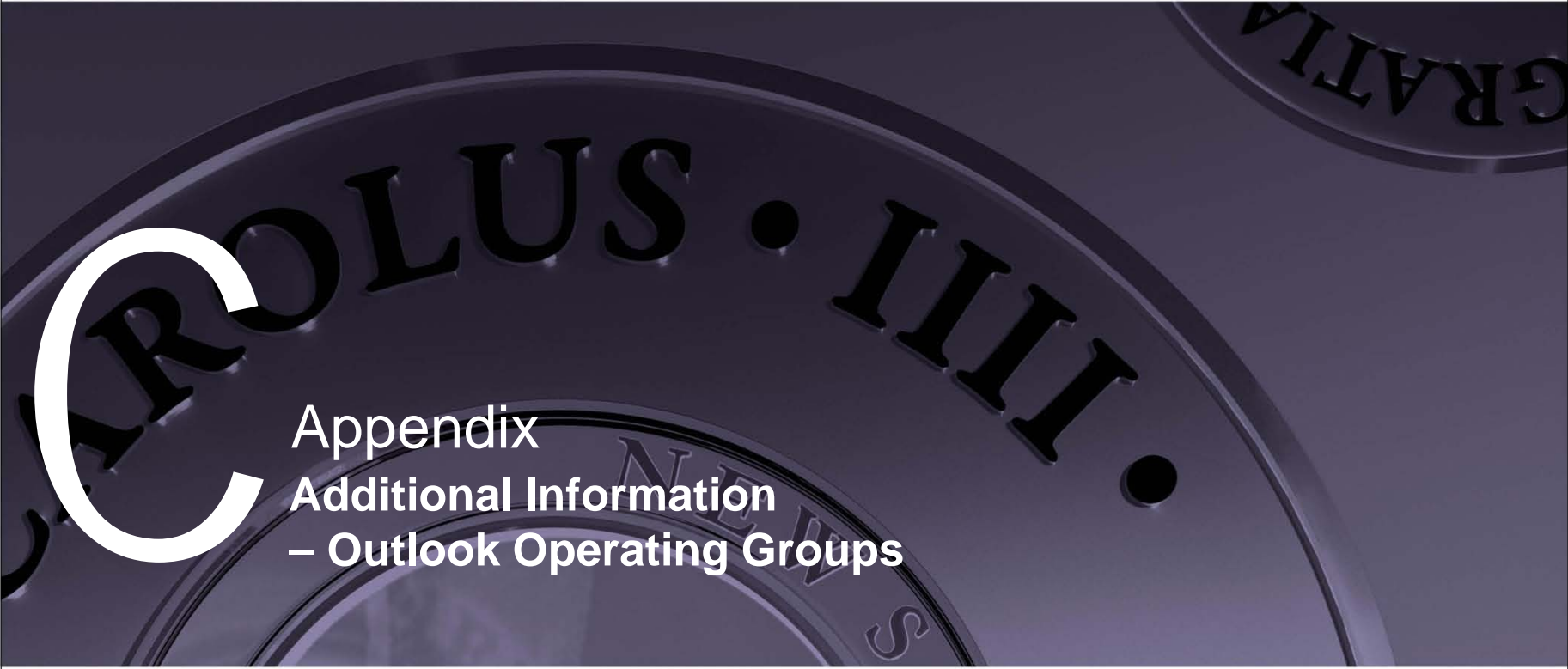
## Non-Banking Group contribution

	Assets \$Ab	Capital Requirement \$Am	Equivalent Risk Weight
<b>Funded assets</b>			
Cash and liquid assets	2.4	25	13%
Loan assets <sup>1</sup>	1.1	88	97%
Assets held for sale	0.1	42	697%
Debt investment securities	0.2	10	51%
Co-investment in Macquarie-managed funds and equity investments	3.9	1,811	582%
Co-investment in Macquarie-managed funds (relating to investments that hedge DPS plan liabilities)	0.1		
Property, plant & equipment and intangibles <sup>2</sup>	0.9	242	329%
Non-Banking Group deposit with MBL	6.4		
Net trading assets	1.0		
Net trade debtors	0.1		
<b>Total funded assets</b>	<b>16.2</b>	<b>2,218</b>	
<b>Self-funded and non-recourse assets</b>			
Self-funded trading assets	2.8		
Broker settlement balances	4.4		
Derivative revaluation accounting gross-ups	(0.2)		
Working capital assets	2.5		
<b>Total self-funded and non-recourse assets</b>	<b>9.5</b>		
<b>TOTAL NON-BANKING GROUP ASSETS</b>	<b>25.7</b>		
Off balance sheet exposures, operational, market and other risk, and diversification offset <sup>3</sup>		110	
<b>NON-BANKING GROUP CAPITAL REQUIREMENT</b>		<b>2,328</b>	

1. Includes leases. 2. A component of the intangibles relating to the acquisitions of Orion Financial Inc and Tristone Capital Global Inc are supported 100% by exchangeable shares. These exchangeable shares have not been included in eligible regulatory capital. 3. Includes capital associated with net trading assets (e.g. market risk capital), net trade debtors and assets held for sale



MACQUARIE



**C**  
Appendix  
Additional Information  
– Outlook Operating Groups

**Macquarie Group Limited**

Result Announcement for the year ended 30 September 2010

29 October 2010 – Presentation to Investors and Analysts



# Outlook operating groups

## Macquarie Securities Group

- Currently expect 2H11 to be up on 1H11 subject to improving market conditions
- Vision to be a global broker with strong Asia-Pacific foundations over the medium term
- Cash division is well positioned for growth as market conditions normalise and turnover and volume increase both in secondary and equity capital markets
- Conditions for Derivatives/DeltaOne will continue to remain challenging as retail investor demand remains limited
- Investing in developing the institutional Derivatives/DeltaOne platform

## Macquarie Capital

- Expect 2H11 to be up on 1H11 on the back of recovering deal activity
- Advisory and ECM markets globally expected to improve on 1H11 albeit conditions likely to remain challenging
- DCM business expected to grow
- Expect benefits from further collaboration between Macquarie Capital and other Macquarie groups:
  - MSG for ECM
  - FICC for DCM
  - CAF for senior debt
  - MFG for advisory – working on joint ventures in emerging markets



# Outlook operating groups

## Macquarie Funds Group

- Subject to market conditions and performance of Australian dollar against other major currencies, currently expect underlying FY11 net profit (excluding one-off income) to be significantly up on the prior year and underlying (excluding gain from listed fund initiatives) 2H11 net profit to be in line with 1H11
- Expect much larger contribution from Delaware Investments in FY11, given full year impact
- Strong relative investment performance across numerous products should enable further organic AUM growth
- Expect continued investment in business and selectively pursuing acquisition opportunities

## Fixed Income, Currencies and Commodities

- Subject to market conditions improving, currently expect 2H11 to be up on 1H11
- Pressure on volumes, volatility and liquidity making trading and sales environment challenging
- Continued focus on expansion in Asia
- Targeted growth in Europe and select physical markets
- Growing investor-facing businesses

## Corporate and Asset Finance

- Subject to market conditions, we currently expect 2H11 result to be up on 1H11
- Continued growth in lease / loan portfolio under management from 1H11
- Continue to seek opportunities for growth through acquisitions
- Growing leasing pipeline in some business units
- Further opportunities to deploy balance sheet in the Australian market



# Outlook operating groups

## Banking and Financial Services Group

- Subject to market conditions, expect 2H11 to be comparable to 1H11
- Continued focus on client growth in the advised and non-advised sector while seeking organic growth of high net worth adviser numbers both domestically and internationally
- Actively grow base annuity products like mortgages, insurance, wrap and banking products
- Look to grow premium funding business globally
- Continue to focus on providing a broad range of cash solutions in the medium term
- Use acknowledged risk management strengths to respond to impending regulatory changes in Australia

## Real Estate Banking

- Recovering commercial real estate markets and improved economic conditions generally
- Australian residential real estate sales moderating after strong demand over the past six months
- Maintaining the focus on increasing asset realisations through sales of development projects and refinancing near-term debt maturities



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Glossary

**Macquarie Group Limited**

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# Glossary

\$A	Australian Dollar
\$C	Canadian Dollar
\$US	United States Dollar
£	Pound Sterling
¥	Japanese Yen
€	Euro
1H03	Half Year ended 30 September 2002
1H09	Half Year ended 30 September 2008
1H10	Half Year ended 30 September 2009
1H11	Half Year ended 30 September 2010
2H09	Half Year ended 31 September 2009
2H10	Half Year ended 31 September 2010
2H11	Half Year ended 31 September 2011
ABS	Asset Backed Securities
ADI	Authorised Deposit Taking Institution
APRA	Australian Prudential Regulatory Authority
A-REIT	Australian Real Estate Investment Trusts
BFS	Banking and Financial Services
CAF	Corporate and Asset Finance Division
CMA	Cash Management Account
CMBS	Commercial Mortgage-Backed Securities
CMT	Cash Management Trust

CPS	Convertible Preference Shares
CY10	Calendar Year 2010
DCM	Debt Capital Markets
DPS	Dividend Per Share
ECAM	Economic Capital Adequacy Model
ECM	Equity Capital Markets
EMEA	Europe, the Middle East and Africa
EPS	Earnings Per Share
ex	Excluding
FCTR	Foreign Currency Translation Reserve
FICC	Fixed Income Currency & Commodities
FIG	Financial Institutions Group
FoF	Fund of Funds
FPK	Fox-Pitt Kelton Cochran Caronia Waller
FUA	Funds Under Administration
FUM	Funds Under Management
FX	Foreign Exchange
FY10	Full Year ended 31 March 2010
FY11	Full Year ended 31 March 2011
HFS	Held For Sale
HY	Half Year
ILFC	International Lease Finance Corporation



# Glossary

iPay iPay enables staff to view their paycheck online

IPO Initial Public Offering

IT&T Information Technology & Technology

ITG Information Technology Group

JV Joint Venture

LCR Leverage Coverage Ratio

LVR Loan to Value Ratio

M&A Mergers and Acquisitions

MAIP Macquarie Advanced Investment Partners

MAp Macquarie Airports

MBL Macquarie Bank Limited

MCAL Macquarie Capital Advisers Limited

MEIF Macquarie European Infrastructure Fund

MEREP Macquarie Group Employee Retained Equity Plan

MFG Macquarie Funds Group

MGL Macquarie Group Limited

MGPA Macquarie Global Property Advisers

MIG Macquarie Infrastructure Group

MIP Macquarie Infrastructure Partners

HY Half Year

ILFC International Lease Finance Corporation

HY Half Year

MIPS Macquarie Income Preferred Securities

MIRA Macquarie Infrastructure and Real Assets

MIS Macquarie Income Securities

MMG Macquarie Media Group

MPW Macquarie Private Wealth

MQG Macquarie Group Limited

MSG Macquarie Securities Group

NASDAQ National Association of Securities Dealers Automated Quotations

NSFR Net Stable Fund Ratio

No. Number

NYSE New York Stock Exchange

NZ New Zealand

OTC Over the Counter

P&L Profit and Loss

PCM Private Capital Markets

pcp Prior Corresponding Period

PE Private Equity

P:EBIT Price: Earnings Before Interest and Tax

PPP Public Private Partnership

RBA Reserve Bank of Australia

REIT Real Estate Investment Trust

RWA Risk Weighted Assets



# Glossary

SBI	State Bank of India
ST	Short Term
TMET	Telecommunications, Media, Entertainment and Technology
TSX	Toronto Stock Exchange
UHNW	Ultra-High-Net-Worth
UK	United Kingdom
US	United States of America



Macquarie Group Limited

# Result Announcement for the half year ended 30 September 2010

**Presentation to Investors and Analysts**  
**29 October 2010**

**Nicholas Moore**, Managing Director and Chief Executive Officer  
**Greg Ward**, Chief Financial Officer