Macquarie Group Limited
ABN 94 122 169 279

No.1 Martin Place
Sydney NSW 2000
GPO Box 4294
Sydney NSW 1164
AUSTRALIA

Telephone (61 2) 8232 3333
Facsimile (61 2) 8232 7780
Internet http://www.macquarie.com.au

ASX / Media Release

MACQUARIE GROUP ANNOUNCES $A851 MILLION FULL YEAR PROFIT

Key points

- **FY13 net profit of $A851 million, up 17% on FY12**
- **2H13 net profit of $A490 million, up 36% on 1H13**
- **FY13 operating income of $A6.7 billion, down 4% on FY12**
- **FY13 operating expenses $A5.3 billion, down 10% on FY12**
- **Assets under management at March 2013 $A347 billion, up from $A327 billion at March 2012**
- **International income 63% of total income in FY13**
- **Annuity-style businesses (Macquarie Funds, Corporate and Asset Finance and Banking and Financial Services) net profit contribution[1] up 10% on FY12**
- **Capital markets facing businesses (Macquarie Securities, Macquarie Capital and Fixed Income, Currencies and Commodities) although continuing to face subdued market conditions in most businesses, delivered a combined net profit contribution up 54% on FY12**
- **Macquarie Securities and Macquarie Capital continued to be impacted by low activity levels across ECM and M&A**
- **Group regulatory capital of $A12.9 billion, $A3.4 billion[2] in excess of minimum regulatory capital requirement**
- **Tax rate 38.5%, up from 28.2% in FY12**
- **On-market acquisitions of shares for the MEREP and 2H13 Dividend Reinvestment Plan. Intend to replace existing 2008 Convertible Preference Securities with a new security, final terms subject to regulatory approval**
- **FY13 Earnings per share (EPS) $A2.51, up 20% on FY12**
- **Return on Equity (ROE) 7.8%, up from 6.8% for FY12; 2H13 ROE of 8.9%**
- **Final dividend of $A1.25 per share (40% franked); full-year dividend of $A2.00 per share, up from $A1.40 in FY12**
- **Annual dividend payout ratio to be in the range of 60 - 80%**

[1] All references to net profit contribution are pre profit share and tax
[2] All references to Group regulatory capital surplus are on a fully Harmonised Basel III basis at 8.5% RWAs

SYDNEY, 3 May 2013 – Macquarie Group (ASX: MQG; ADR: MQBKY) today announced a net profit after tax attributable to ordinary shareholders of $A851 million for the full year ended 31 March 2013 (FY13), up 17 per cent on the full year ended 31 March 2012 (FY12). Profit for the second half of the year (2H13) was $A490 million, up 36 per cent on the first half (1H13).

Macquarie Group Managing Director and Chief Executive Officer Nicholas Moore said: "Global market conditions generally improved during the year to 31 March 2013 which, together with strong cost control across the Group, led to the improved result. Client activity remained subdued for Macquarie's capital markets facing businesses and affected the performance of some groups.

"Profit for 2H13 was up 36 per cent on 1H13. Macquarie's annuity-style businesses (Macquarie Funds, Corporate and Asset Finance and Banking and Financial Services) continued to perform well with combined net profit contribution up 4 per cent on 1H13, and up 27 per cent on 2H12. Macquarie's capital markets facing businesses (Macquarie Securities, Macquarie Capital and Fixed Income, Currencies and Commodities) delivered a significantly improved result with combined net profit contribution up 202 per cent on a weak 1H13, and up 14 per cent on 2H12, however market conditions remain subdued for most businesses.

"The 2H13 result was impacted by an increase in the effective tax rate to 43.5 per cent from 30.2 per cent for 1H13. The high 2H13 tax rate was due to increased profitability in the US, write down of certain international group tax assets and increased provisioning for tax uncertainties.

"For the full year ended 31 March 2013, Macquarie's annuity-style businesses continued to perform well with FY13 combined net profit contribution up 10 per cent on FY12. Macquarie's capital markets facing businesses, although continuing to face subdued market conditions in most businesses, delivered a combined net profit contribution up 54 per cent on FY12. Macquarie Securities and Macquarie Capital continued to be impacted by low activity levels across ECM and M&A.

"FY13 operating expenses were $A5.3b down 10 per cent on FY12 as a result of continued operating efficiencies, with employment expenses of $A3.3b down 8 per cent on FY12.

"The effective tax rate for FY13 was 38.5 per cent up from 28.2 per cent in FY12.

"Macquarie's assets under management at March 2013 were $A347 billion, up from $A327 billion at March 2012.

"The Group remains well positioned, with a strong and diverse global platform and specialist skills across a range of products and asset classes. All of this is built on the foundation of a strong balance sheet, significant surplus capital, a robust liquidity and funding position together with a conservative approach to risk management."

The Board resolved to pay a final ordinary dividend of $A1.25 per ordinary share (40 per cent franked), up from $A0.75 in the first half (unfranked). The total ordinary dividend payment for the year was $A2.00 per ordinary share, up from $A1.40 in the previous year. This represents an annual dividend payout ratio of 79 per cent.

The Board has resolved that the annual dividend payout ratio will be in the range of 60 to 80 per cent. The future rate of franking remains subject to the composition of income.

Board and Management

Macquarie today advised that Catherine Livingstone will retire by rotation at the upcoming Annual General Meeting (AGM) on 25 July 2013. Catherine has notified the Board that she does not intend to seek re-election at the upcoming AGM and will retire as a Director of Macquarie Group and Macquarie Bank at that time. Catherine joined the Macquarie Bank Board in November 2003 and became Chairman of the Board Audit Committee in December 2005. The Macquarie Group Chairman Kevin McCann, on behalf of the Board, thanked Catherine for her services as a Director and Chairman of the Board Audit Committee. Mr McCann said “The Board deliberations and proceedings have greatly benefited from Catherine’s wise counsel and outstanding performance as Audit Chair.”

Michael Coleman joined the Boards of Macquarie Group and Macquarie Bank on 9 November 2012. An audit partner at KPMG for 30 years, Michael has a strong background in risk management, financial reporting, regulatory and corporate governance and experience across sectors including financial services, funds management and property in Australia and Asia. He has become a member of the Board Risk Committee and the Board Audit Committee. He will succeed Catherine Livingstone as Chairman of the Board Audit Committee.

Macquarie also advised that Peter Maher has announced his intention to retire from Macquarie Group after serving as Group Head of Banking and Financial Services (“BFS”) for over 12 years. Peter will be leaving BFS following a record result in the current year, and having built and integrated a strong retail offering for Macquarie. Mr Moore said: “The Board and management would like to take this opportunity to thank Peter for his dedication in building the BFS business over many years of service”.

Greg Ward has been appointed Group Head of BFS in addition to his current position as Deputy Managing Director of Macquarie Group Limited and Chief Executive Officer of Macquarie Bank Limited.

As mentioned in the interim update, Nicole Sorbara was appointed Chief Operating Officer and Head of the newly formed Corporate Operations Group on 1 January 2013. Nicole has also joined Macquarie’s Executive Committee.

Nigel Smyth retired as Head of the Market Operations and Technology Group on 1 January 2013 and will leave Macquarie on 1 July 2013. We thank Nigel for his significant contribution to Macquarie over the past 11 years, during a period of great technological change.

Outlook

While market volatility makes forecasting difficult, subject to market conditions it is currently expected that the FY14 net profit contribution from operating groups will be up on FY13.

The tax rate is currently expected to be in the mid 30 per cent range based on the present mix of income.

Accordingly, the FY14 result for the Group is expected to be an improvement on FY13 provided market conditions for FY14 are not worse than those experienced over the past 12 months.

The FY14 result also remains subject to a range of other challenges including:
- the cost of our continued conservative approach to funding and capital;
- regulation, including the potential for regulatory changes;
- increased competition in some markets; and
- the overall cost of funding

Macquarie remains well positioned to deliver superior performance in the medium term, due to its deep expertise in major markets, strength in diversity, ability to adapt its portfolio mix to changing market conditions, the ongoing benefits of continued cost initiatives, a strong and conservative balance sheet, and a proven risk management framework and culture.

Full year result overview

Chief Financial Officer Patrick Upfold said: “Net operating income of $A6,700 million for the year ended 31 March 2013 was down 4 per cent, while total operating expenses of $A5,295 million were down 10 per cent on the prior year. Key drivers of the change from the prior year are:

A 19 per cent increase in trading income to $A1,234 million, primarily in Fixed Income, Currencies and Commodities with the business experiencing improved market conditions across most markets, particularly energy, agricultural, credit and financial markets.

A 2 per cent increase in fee and commission income to $A3,422 million, with base and performance fees of $A1,183 million an increase of 11 percent, primarily due to an increase in assets and equity under management combined with higher performance fees earned from funds outperforming their benchmarks. These increases were offset by reduced brokerage and commissions income impacted by lower volumes across equity markets, and reduced fee income from mergers and acquisitions, advisory and underwriting activity as capital market conditions remained subdued.

A 48 per cent decrease in other operating income and charges to $A585 million. The decrease was primarily due to the prior year benefiting from the receipt of a special distribution of $A295 million from Sydney Airport and an increase in impairment charges in the current year.

A 10 per cent reduction in total operating expenses achieved as a result of cost management initiatives undertaken over the past two years, including the centralisation of support functions to generate scale benefits through improved operational efficiencies and the scaling back or exiting of selected businesses.

Income tax expense for the year ended 31 March 2013 was $A533 million, up 86 per cent from $A287 million in the prior year due to a combination of higher operating profit before income tax as well as increased profitability in the US, write down of certain international group tax assets, particularly in Asia and increased provisioning for tax uncertainties”.

Strong funding and balance sheet position

Mr Upfold said Macquarie continued to benefit from well-diversified funding sources and continued to pursue its strategy of diversifying funding sources by growing its deposit base and accessing different funding markets.

Retail deposits increased by 7 per cent from March 2012 to $A31.0 billion, while total deposits increased from $A33.9 billion at March 2012 to $A36.2 billion at March 2013. During FY13, $A9.7 billion of new term funding was raised and $A2.8 billion of government guaranteed debt was repurchased with a plan to launch a public tender to repurchase additional outstanding government guaranteed debt.

Macquarie maintained its strong capital base through the year. Regulatory capital of $A12.9 billion at 31 March 2013 was $A3.4 billion in excess of the Group's minimum regulatory capital requirement on a Harmonised Basel III basis at 8.5 per cent RWAs. Macquarie Bank also noted a strong Harmonised Basel III Common Equity Tier 1 ratio of 11.6 per cent at 31 March 2013, which was down from 12.2 per cent at 31 March 2012.

Capital Management

During the year $A251 million of shares were purchased under the buyback at an average price of $A25.58 per share. Macquarie intends to purchase approximately $A250 million of shares on-market[3] to satisfy the requirements of the Macquarie Group Employee Retained Equity Plan. The buying period for the MEREP will commence on 13 May 2013 and is expected to be completed early July 2013[4]. The shares for the 2H13 Dividend Reinvestment Plan are to be acquired on-market[3].

Macquarie intends to replace the 2008 Convertible Preference Securities (CPS) with a new security. There will be a reinvestment offer for existing CPS holders and a priority offer for Macquarie Group Limited shareholders. The final terms are subject to regulatory approval.

Operating group performance

- **Macquarie Funds** delivered a net profit contribution of $A755 million, up 17 per cent on the prior year. The result was driven by strong annuity base fee income as well as structuring and performance fee income predominantly earned as a result of a number of infrastructure funds outperforming their respective benchmarks. Assets under management increased by 6 per cent to $A343.5 billion.
- **Corporate and Asset Finance** delivered a net profit contribution of $A694 million, broadly in line with the prior year. CAF increased its asset finance and corporate lending portfolio by 9 per cent to $A22.4 billion at 31 March 2013. Its motor vehicle leasing portfolio increased by 18 per cent on the prior year and the business expanded into the UK, entering the independent contract hire market. Other initiatives during the year included the acquisition of a European rail leasing platform, the continued expansion of the UK meters portfolio and the mining equipment finance business.

[3] Shares will be issued if purchasing becomes impractical or inadvisable.

[4] Actual buying may be completed sooner or later. Buying for the MEREP will be suspended during the DRP and hybrid pricing periods.

- **Banking and Financial Services** delivered a net profit contribution of $A335 million, up 22 per cent on the prior year. BFS continued to grow its top-ranked Australian wrap platform, with funds under administration increasing 14 per cent to $A25.1 billion. The migration of Perpetual's $A7.6 billion private wealth administration platform to Macquarie Wrap was completed post balance date. The Australian mortgage portfolio increased by 9 per cent to $A11.8 billion and the business formed a distribution alliance with Australian financial services company Yellow Brick Road and also acquired an equity stake in Home Loans Limited in April 2013. The acquisition of GE Capital's Australian insurance premium funding provider, Pacific Premium Funding, created Australia's second largest premium funder. BFS maintained its number one position for full-service retail stockbroking in Australia for the sixth successive year, while increasing its retail deposits by 7 per cent to $A31 billion. In January 2013, Macquarie Private Wealth entered an Enforceable Undertaking with the Australian Securities and Investments Commission and is committed to implementing the changes necessary to improve its compliance processes and systems.
- **Macquarie Securities** reported a net loss of $A50 million an improvement from a net loss of $194 million in the prior year. MSG continued to experience subdued activity levels due to weak investor confidence but benefited from improved market volumes in the fourth quarter, together with reduced operating expenses and lower legacy costs. It maintained its leading position for Australian equities among institutional investors globally, continued to grow its US cash equities activities and invested in market execution technology.
- **Macquarie Capital** delivered a net profit contribution of $A150 million, up 76 per cent on the prior year. It advised on 447 transactions worth $A85 billion during the year including: China Gas on its successful defence of the $US2.2 billion unsolicited pre-conditional offer; Tokio Marine Holdings on its $US2.7 billion acquisition of Delphi Financial Group, for which it won a number of awards including M&A Deal of the Year ($US1-3 billion) from M&A Advisor; Goodman Group on the $A638 million equity raising for the $A5.1 billion Goodman Australia Industrial Fund; and won the North American Toll Road Deal of the Year from Project Finance Magazine for its role in the $US2.1 billion Downtown Tunnel road construction project in Virginia.
- **FICC** delivered a net profit contribution of $A563 million, up 4 per cent on the prior year. FICC benefited from a general improvement in market conditions across most of its businesses compared to the prior year. Improved client risk appetite in credit and interest rate markets benefited the Credit Trading and Fixed Income and Currencies divisions, while there were strong trading conditions across the global energy platform. Futures volumes increased in all key regions and agricultural markets experienced improved trading conditions and customer activity. Weak investor sentiment and confidence in resource equity markets, as well as underperformance in certain investments, resulted in an increase in impairments on some listed equity holdings in the Metals and Energy Capital business but these were partially offset by profits on some equity realisations.

Contacts

Stuart Green	Macquarie Group Investor Relations	+61 2 8232 8845
Karen Khadi	Macquarie Group Investor Relations	+61 2 8232 3548
Lisa Jamieson	Macquarie Group Media Relations	+61 2 8232 6016