TRANSCRIPT

MACQUARIE GROUP LIMITED RESULT ANNOUNCEMENT

FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2017

27 OCTOBER 2017

[START OF TRANSCRIPT]

Nicholas Moore: Welcome to everybody here for our results presentation for the six months ended 30 September 2017. As usual, our format will be very similar to what you've seen before and, as usual, it starts with the description of the five different business groups. Now, as we've said before, a real strength of Macquarie is the diversity of our businesses, but it means that to understand Macquarie fully you really do need to think about the five different business groups.

Accordingly, we describe them at the front and in the presentation, we'll reflect upon how they're responding to market conditions. You'll notice a small change in terms of our description of the corporate and asset finance business. We've actually renamed our lending business, our principal finance business, to better reflect its activities.

Now, turning to the result for the six months, you can see a first half result of $A1,248 million, up 19% on where we were this time last year. In terms of the composition of that, you can see our net operating income was up 3%, expenses were down 1%, resulting in an operating profit before tax of $A1,704 million. Income tax expense is up 2% on where we were, but you'll note the tax is lower than it was this time last. This time last year it was 29.4%. It's 26.4% for the six months, largely reflecting where the income was derived, resulting in a profit for our shareholders of $A1,248 million.

An annualised return on equity, as you can see, of 16.7% and a basic earnings per share of $A3.70. The Board declared a dividend of $A2.05, up 8% on the dividend for the same period last year.

In terms of the five different groups contributing to the result, you'll see their contribution is up 14% on where it was this time last year. A big step up for the annuity-style businesses, as you can see, up 28% on where they were and you can see all the annuity businesses were up compared with where they were last year. A big step up in contribution, which I'll talk about in a second for MAM. A particularly strong performance fee of $A537 million coming through there. But the other annuity businesses were up.

Both divisions of CAF were up during the period and Banking and Financial Services was up where we were compared with where we were this time last year, which is particularly significant, because this time last year we had the one-off gain on sale of the life insurance business to Zurich. So the fact that we're able to make up that in the business, we think, is very significant.

Capital markets facing businesses were down 18% on where they were this time last year, largely as a result of lower investment income flowing through to both the Commodities and Global Markets group and Macquarie Capital. Market conditions were also subdued for some of those businesses, as you can see in the commentary, with lower volatility in many of the commodities markets resulting in lower activity and from a Macquarie Capital viewpoint, although the DCM business was up, we saw subdued activity in M&A and ECM over the six-month period.

The next chart shows the prior years and we can see how the operating income, the profit and the earnings per share in the dividend have changed over that period and broadly we can see the increase taking place. We can also see the pattern obviously with dividends, with the interim dividend being lower than the final dividend, as you would expect.

The next slide shows our assets under management. Overall, you can see a decrease, and if you look at the footnote in that slide, you can see largely driven by the sale of Thames Water. So that was a $A25 billion asset being sold. Overall though, the fall of assets under management were down only $A8 billion. That as a result of movements in foreign exchange and market movements over the period. We'll detail further in terms of the movements that took place in terms of assets under management.

In terms of where we derived the income around the globe, you can see Australia, of course, is our largest place of business, with 38% of our income and 6,241 of our staff based here in Australia. The second largest place of operations for Macquarie from an income viewpoint last year was Europe and you can see that represented 28% of our income. Obviously, a big step-up on where it's been and I think it's the first time we've seen Europe being the second largest operation outside Australia. Next being the Americas, 24% of the total and finally Asia, 10% of the total income. But, of course, a larger staff numbers in Asia, 3,445 representing the services provided to the Global Group.

In terms of the changes with that mix of income over the while, you can see the changes taking place with the growth in Australia representing the growth in the

Leasing and the Banking and Financial Services business. Asia broadly flat, Americas over this period broadly flat and the growth just recently in Europe, which we saw particularly representing the performance fee I mentioned before.

Now turning to the five different groups that drive our income, starting with Macquarie Asset Management, you can see represented 45% of the Group's income for the six-month period. You can see that was up 39% on where we were this time last year, a big step-up, with a net profit contribution of almost $A1.2 billion. A big contributor to that, as you can see under the MIRA section is the performance fee of $A530 million that was derived by MIRA over the period.

In terms of the underlying health of the business though, that continues to be very strong. You can see the equity under management of $A79.5 billion in MIRA up 3% on where we were six months ago. That was as a result of raising $A6.2 billion of new equity and more importantly investing $A5.0 billion of new equity across a range of investments around the world. We also saw, of course, the realisation of investments at $A4.8 billion coming back. At the end of the period, we had $A11.3 billion of equity to deploy.

Now, turning to Macquarie Investment Management, we can see the assets under management were up 2%, largely driven by positive market movements, albeit offset by unfavourable foreign exchange movements. A good performance coming through from a range of the funds and we also highlight the strong distribution taking - the strong global distribution taking place across the globe.

Finally, Macquarie Specialised Investment Solutions, you can see growth taking place there, particularly with the infrastructure debt product. You see the commitments now are at $A7.8 billion; actual dollars committed, $A5.1 billion. A good story in terms of that private infrastructure debt business.

Now, turning to Corporate and Asset Finance, representing 23% of the Group's total and you can see the profit contribution was up 19% on where we were this time last year. In terms of the different groups, both of the groups within Corporate and Asset Finance contributed to that improved result. Asset Finance, you can see the portfolio was up 1% to about $A30 billion in terms of assets. You can see in terms of what's taking place there, the Vehicles portfolio was broadly flat. Aircraft portfolio down a bit. That being offset by the smaller leasing business in Telco, Energy and Resources.

The Principal Finance book you saw was down 18% during the period. Notwithstanding the book was down, you can see a lot of activity taking place in terms of new originations taking place across the business.

Now, turning to the Banking and Financial Services business, 11% of the Group's total and you can see the profit was up 10% on where we were in the first half of last year.

Particularly pleasing, as I mentioned, because in the first half of last year we had the sale of the life business to Zurich, which, of course, wasn't repeated in the first half of this year. We can see the underlying drivers of that business coming through again during the current period. The mortgage book up 4% over the period, the Wealth Management Funds on Platform up 9% over the period and Business Banking, the lending book up 9% over the period and deposits up 5% over the period. So the good, strong drivers of Banking and Financial Services continued over the last six months.

Now, turning to the capital markets facing businesses starting with our largest, Commodities and Global Markets, you can see the net profit contribution was down 23% on where we were this time last year. As I mentioned earlier, this was largely as a result of the investment-related income from the sale of equity holdings and energy related investments in the first half of last year, but also, we have seen lower volatility, resulting in lower client volumes in a number of the businesses. That resulted in the Commodity Market elements of the Group falling to 42% of the total.

Financial markets were 48% of the total and we saw good volumes taking place in the Fixed Income and Currency business and we also saw the Cash Equities and Equity Derivatives and Trading businesses step up its performance on where it was six months ago. Futures continues to be a good performer, representing 10% of the Group's income.

Now, turning to our final Group, Macquarie Capital, representing 7% of the Group over the six-month period, the profit was down 7% on where we were 12 months ago to $A190 million. You can see that again was largely as a result of investment-related income that plays an important part in the results. Looking across the different areas of activity, you'll see the themes that are similar to themes we've seen in recent years. Great strength in Australia, of course, with those number 1 positions in M&A and IPOs and ECM follow-ons that you see noted there. Great strength, of course, in global infrastructure, which is reflected across all the different geographies we carry on with business and we've particularly highlighted that in Europe; we've been recognised as the number one Infrastructure advisor.

The other theme, of course, in recent years, is the growth of our renewable energy and our green investments taking place within Macquarie Capital. Of course, during the period, we completed the acquisition of the Green

Investment Bank in the United Kingdom. That adds to our skills and our capability in this area. Not just in Europe but of course across all the different geographies the Group carries on business.

Now turning to the balance sheet that supports all our activities. Largely unchanged on what we saw six months ago. You can see that the underlying shape continues to be consistent with where it's been for many years now with very much a matched balance sheet with our term. Funding exceeding our term assets as you can see there in that slide again this half.

You can see the balance sheet actually grew slightly over the period and you can see down the bottom part of the growth took place in these Equity Investments which you saw step up from 6% of the balance sheet to 8% of the balance sheet. Now when you read the note on the bottom you will see a lot of that related to the MIRA business in terms of its new funds and acquisitions that it's made. As well as that Macquarie Capital in terms of the positions that it's taken on there. Patrick will detail a bit more of this in his presentation in a second.

Our deposits, an important source of funding, have stepped up of course to almost $A50 billion. New term funding of $A8.2 billion being arranged during the period and syndicated loan facilities at $A3.3 billion.

Now turning to the capital position, Macquarie of course has always had a very, very strong capital position and this period is no exception. We started the position obviously with an exceptionally strong position of $A7.4 billion of surplus capital calculated on a harmonised basis. We did mention this was quite large and it was because we had a dividend coming of course of the $A1.3 billion that we paid out during the period.

During the period of course, we made profits which increased the amount of capital by $A1.2 billion you see and then we see $A800 million of capital was used in the businesses over the period. Again, this largely reflects the growth we saw in MIRA and Macquarie Capital that I referred to earlier. That result in our harmonised capital position of $A6.2 billion adjusting to the APRA super equivalence of $A2.0 billion resulted in a surplus capital, according to APRA principles, of $A4.2 billion as of 30 September this year.

Other regulatory ratios continue to be strong. Our CET1 ratio you can see there is 11.0% on an APRA basis or 13.3% on a harmonised basis. Our leverage ratio of 6.1% on an APRA basis compared with the 3% requirement. The LCR ratio of 153% compared with our 100% requirement and the Net Stable Funding Ratio requirement is 109% compared with the regulatory requirement of 100%. Very strong regulatory ratios as you expected to see.

We have had a strong capital position for a number of years now. Our capital position is $A4.2 billion surplus as at 30 September 2017. To provide additional flexibility to manage the Group's capital position, the Board has approved an on-market buyback of up to $A1 billion. That's subject to a number of factors including the Group's surplus capital position at the time, market conditions and of course opportunities to deploy the capital in the business at the time. This buyback has received all the necessary regulatory approvals.

I mentioned earlier that the Board declared an interim dividend of $A2.05, franked to 45%. The record date is 8 November and the payment date is 13 December. This is up 8% on where it was this time last year and represents a payout ratio of 56%. Our payout ratio policy remains the same, between 60% and 80%, but of course that's calculated on a full year basis.

Now we also announced a number of Board and management changes this morning. We were very pleased that Glenn Stevens has decided to join the Board effective 1 November 2017. Glenn will be familiar to everybody in this room of course. He was recently the Governor of the Reserve Bank between 2006 and 2016 after being with Reserve Bank for many years before then.

We've also announced that Stephen Allen, who's with us today, will be retiring from his role as Chief Risk Officer of Macquarie and will be leaving the Executive Committee on 31 December 2017. Stephen has been with Macquarie for almost 25 years and has made an enormous contribution to the Group over that period. He joined in our corporate services area. He actually established our infrastructure business in London, initially as an advisory business and then the overall infrastructure asset management business, in London. He became the Chief Executive of MIG our large infrastructure fund and more recently has been the Chief Risk Officer within the Group where he's done a very, very good job indeed over the period.

Stephen will be replaced by Patrick Upfold, our CFO, who has been our CFO as you know for many years now and been with the Group for a very long period of time. A very broad knowledge of Macquarie of course. Patrick will be replaced by Alex Harvey, currently the Head of Principal Transactions within Macquarie Capital. Has been with Macquarie since 1999 when we bought BT Australia. Alex has worked in Australia as well as internationally for many years and we're very pleased he stepped up to take the role. Both of these appointments will be effective from 1 January 2018.

Now I'd like to hand over to Patrick.

Patrick Upfold: Thanks Nicholas and welcome all to the half-year results today. Well, as is usual I will end up taking you through some of the detail of the results today and highlight the drivers for each of our Groups, before I turn to the balance sheet and our funding and liquidity position.

The first, just looking at the overall result there, a very good result indeed. You can see net interest and trading income broadly flat from where it was in the first half - compared to the first half last year. As Nicholas mentioned we saw some good growth in BFS really across the platform of loans and deposits and some margin expansion. Contracting credit spread saw the cost of carrying the surplus liquidity that we always refer to has come down in the corporate centre and offsetting that somewhat has been increased funding costs associated with more use of the balance sheet and I'll take you through that shortly and also more subdued conditions that we experienced in CGM, particularly in the Commodities area.

Fee and commission income, you can see there is up quite strongly on last year and performance fees playing a big part of that uplift there. Impairment and other credit charges you can see there has come down. It's been coming down for a little while now. That's really pleasing to see and that's reflective of the legacy book rolling off, but also just improved performance across all the platforms.

Other income was quite strong last year, down this year. I don't think there's any surprises there. Of course, we had the Macquarie Life risk business which we sold to Zurich and the US mortgages in BFS, and there were a number of equity investment realisations that occurred in a number of businesses, particularly in CGM and MacCap which haven't really occurred in the current year.

Now turning to operating expenses, you can see they're broadly flat on the year. Employment expenses slightly down. Whilst the headcount at the end of the year is slightly up, the average headcount when we compare half on half is down and of course we've had some movement in the Australian dollar and that's played its part in pushing the employment expenses down. Then finally you can see the tax rate there, 26.4%, basically consistent with where we were in the second half of last year but down on the prior corresponding period. That just reflects the composition of earnings and where those earnings fall. You saw that step up in the UK and Europe and that explains a significant part of that.

Okay, so here's what it looks like from overall Group contribution. You can see very strong performance there from MAM followed by CAF. You can see the corporate expenses are up. That's reflective of the higher profit compensation expense going through, going to that one there, and some central provisions that were taken.

Alright, the first of the annuity-style businesses, Macquarie Asset Management. There you can see a $A367 million uplift in performance fees. Playing a big part there was MEIF3. Of course the MEIFs are the flagship funds in Europe, Macquarie European Infrastructure Funds and it's our third of these funds. It sold Copenhagen Airport over the course of the half and that allowed the performance hurdles to be surpassed and thereby triggering a recognition of a performance fee. Of course, there were other funds that contributed to performance fees over the half. MQA, some managed funds and funds we manage for some of our co-investors also are contributing there.

Now base fees, I've split this out just to show what's happening on an underlying basis. So removing the FX effect you can see underlying base fees are up, however, the movement in the foreign exchange rate basically saw them end up broadly flat over the course of the year. That's led to that result of just a touch under of $A1.2 billion there.

I put this slide in I think last year for the first time. I think it's useful and constructive to see kind of how AUM has moved over the course of the last six months. You can see MIM up $A5 billion. Flow is essentially flat. Strong market movements but offsetting that has been FX to see that $A5 million. MIRA there you can see in terms of AUM $A12 million down. Actually, when we think about MIRA what's really important is we get paid off the basis of EUM. So what's more insightful is to look at the EUM and we'll look at that shortly. You can see the movement there in MSIS leading to the $A472 billion of AUM under Macquarie's management.

Here's the EUM. As I said it's the basis upon which we get paid base fees in MIRA. What's been really pleasing is you can see the continual capital raisings that go on within that business, $A6.2 billion raised. Nicholas mentioned the Green Investment Bank which we have relabelled to Green Investment Group, contributing to an increase in EUM of $A2.2 billion. Now you can see the $A6.7 billion in the capital return. Now that largely relates to Thames Water. A part of that coming out of MEIF2. That's Macquarie European Infrastructure Fund 2. But also, we advised and managed funds on behalf of co-investors and that as well is contributing to that reduction there. Overall however up for the half. That's really pleasing to see.

Corporate and Asset Finance, our second of our annuity-style businesses. You can see there. Pleasing here, we saw higher income from both the Asset Finance business and of course the Principal Finance business. On the Asset Finance side, we had higher underlying income in the Aviation and Resources businesses and that was offset by, partially offset at least, by lower income in

Technology and some foreign exchange movement largely related to the weaker US currency.

On the Principal Finance side, the book did reduce. Now that's resulted in lower running income over the course of the six months compared to the prior corresponding period, but offsetting that has been our prepayment income and accelerations of investment realisation income which saw that business end up for the year.

Lower impairments you can see coming through there, that's a positive. All the books performing very, very well from a credit point of view. What we have seen is the principal book has reduced. We have seen collective provisions that we've taken against some of those positions released back into the P&L and having a positive effect on that number there. So that's led to that. Just a touch over $A600 million for the half.

BFS, you recall last year there were a number of one off items. We've tried to highlight them there for you on the chart behind me. You can see the $A191 million which is the net gain after we disposed of the Life business and also the US mortgage business. We changed the approach to capitalisation of software. that resulted in some acceleration of that in technology expense. You can see that coming through there. We impaired part of the Core Banking program and we had some equity impairments. So they were all the one offs last year.

What's really pleasing is the business has eclipsed the result from last year and you can see that underlying business growth at $A79 million that has come through there. Of course, it's seen the average loan portfolio increase half on half. We've seen deposits grow and of course we've seen the Wrap platform grow as well leading to that result, so that's particularly pleasing.

Okay, the first of our markets facing business, of course MSG and what was CFM merged last year to form the Commodities and Global Markets business. Business overall is down on a PCP basis. I referenced earlier the lower investment-related income, you can see it coming through that $A129 million, and that really largely explains the difference in half-on-half. In respect of the Commodities business, what we've seen is just a lot lower volatility pretty much across most of the products that we trade and provide services for our clients. Where you get low volatility, clients are less inclined to trade, so we see lower client flow and we also see fewer opportunities for us to trade as well.

You see our lower lending and financing coming through, that's really the legacy book rolling off. But offsetting that, what we saw was improved conditions for us in interest rates and FX in particular. Credit remains subdued but interest rate derivativees and FX have proven to be quite good over the half, particularly out of USA, Japan and also Europe. We've seen the benefits of the merging of the two groups, the MSG and CFM coming together here. You can see they're coming through in the higher equities and net interest and trading income. But also, just the lower operating expenses as we see those synergies of combining the platforms going forward.

Alright, Macquarie Capital, the last of our market facing businesses. Overall, what we can see here is fee income is slightly up. M&A income in the US was down. However, offsetting that, what we saw was our clients engaging in quite a bit of activity and that led to some DCM opportunities which have seen our income increase over the year. DCM income largely flat year-on-year and that's really reflecting the conditions here in Australia. I mentioned lower investment-related income, there it is there in Macquarie Capital. What's pleasing is that the impairment charges in Macquarie Capital have also come off and that's basically led to that result being slightly down on where it was last half.

Just a summary of the impairment expenses, there's been a focus in the past, you can see that trend has continued this half where we've seen impairment charges come down largely across the board. A slight uptick there in corporate, just an impairment that we took in relation to some legacy assets. But down significantly and that's really pleasing to see.

Cost of compliance, I've talked about this before. Plenty of regulatory initiatives are underway and that just results in increased project spend for us. Of course, when those projects come to completion, they move into the business as usual category and we continue to see that increase in spend for the Group.

Balance sheet, Nicholas has touched on this. I always like to remind you of how we do fund our balance sheet, and those terms assets are funded by term liabilities. We've got the stable deposits and equity. We've got minimal reliance on short-term, wholesale funding markets using them to augment our trading activities. Customer deposits, I'll come back to that shortly. But needless to say, that's been a good growth over a long period of time. There’s been more activity in the term markets over the course of the first half of this year. Stuart and the team renegotiated the syndicated loan facility for MGL. Also with the Cargill acquisition we negotiated a senior trade facility for that business. That's really pleasing, a new source of finance for us. We've been active in the mortgage and motor vehicle securitisation market as well and you can see the net result of all of that.

Now what this leads to - very, very important - is just a diversified issuance strategy and you can see that coming through there. If you look at the tenors in the middle of the page there of the debt that we've issued, the type, we just continue to get diversified. And if you cast your eye behind me to the bottom right-hand side of that screen, you can see our maturity, weighted average maturity for debt outstanding is 4.2 years. Really important is that those maturities that we do have are spread out in a very, very manageable way.

I talked about deposits. It's fantastic, a million Australians are clients of Macquarie's. Greg and the team's done a fantastic job there. You can see that growth over a long period of time now, almost at $A50 billion in terms of deposits. That's 40% of our funded balance sheet, our sources of funding, come from our deposit base. That's been a great story for us.

Okay, turning to the loan and lease portfolio, I'll just make a few comments there. Up a tick on where it was from March 17. You can see finance lease assets are up there. Now you would have heard Nicholas say that the motor vehicle book is largely flat half-on-half. But what we have seen is we're putting more of those motor vehicles on the balance sheet and less through securitisation. That's really just reflective of the fact that we've got that strong deposit growth coming through and we're utilising that strong deposit growth. A similar story there in mortgages. You can see $A2.5 billion increase in what's on the funded balance sheet. Again, we're just taking advantage of those deposits which Greg and the team have been raising. Pleasingly, Canadian and US mortgages, they've now gone to zero as we've exited those positions over the journey, so that's great for us.

Equity investments, $A7.6 billion, that's up from where it was from $A5.0 billion, so up quite a bit from where it was previously. You can see where most of that growth has been occurring. It's really in relation to MAM. You can see, first of all, on that top line there, the $A1.6 billion to $A1.9 billion, of course we acquired the Green Investment Bank over the journey. But also, what MAM does, and we've done this over a long period of time, is that we take onto Macquarie's balance sheet position, we underwrite them effectively, and then we move those positions into fund. That is indeed what has occurred over the last six months. Many of you would be familiar with National Grid in the UK which we had at 31 March. But since then there's been more investments that we've been able to make, including Endeavour Energy and the South Australian Land Titles business which are currently sitting on our balance sheet. They will transition into the funds. The National Grid, for example, will transition into a new product called the Super Core Fund which the team has developed, so that's quite exciting for us.

The other area that you can see there of course is energy, resources and commodities, quite a big step up there. That's largely Macquarie Capital. It's using the balance sheet. I mentioned before that the interest expense for

Macquarie Capital has stepped up, that's reflective of - you can see why that is the case, it's reflective of the increased use of the balance sheet. Most of these investments have occurred in that energy space, particularly in the green energy space, and the acquisition of the Green Investment Group has been a significant part of that. So that's really pleasing for the future.

From a regulatory point of view, Basel III, we await the finalisation of that, much anticipated. We'll see whether that comes through in the next few months. Of course, APRA came out with its ‘unquestionably strong’ proposal and that provided more guidance to the Australian banks about what they thought the CET1 needed to be to answer that question raised by the financial system enquiry of what is of the banks needing to be ‘unquestionably strong’. What's very important is that, in coming out with that proposal, APRA has referenced the Basel III changes and indicated that the implementation of APRA's proposal will incorporate those changes within the prudential framework that they're proposing. So based on that guidance, we feel very comfortable that our very strong surplus capital position is more than sufficient to accommodate any additional requirements.

Here is our CET1 ratio, so now I'm referring to the Bank - Nicholas showed a slide of this, showing the Group surplus; this is down at the Bank level. What you can see is it's remained relatively flat for the last six months, 13.3% which is what we referenced as the harmonised basis, how we can compare ourselves on an international basis. You can see the movement there, pretty self-explanatory. APRA's super equivalence 2.3%, brings us down to 11.0%, so we're actually up a tick from where we were at 31 March. A strong liquidity position, very, very important. Look at the LCR there, 153%. No surprises there given our approach to funding the balance sheet. You can see our liquid asset portfolio again remaining very, very strong for us.

Finally, just turning to the capital management update. Last time we met I spoke about the MEREP purchases. We had $A373 million to purchase. Of course, you remember last year we introduced the staff share sale arrangement which is an off-market facility. We purchased $A260 million of those MEREP off-market. That left $A113 million that we acquired on-market, and the combined weighted average price that those shares were all acquired at were just a tad over $A89.

Again, last time we met I talked about the very successful MACS hybrid issue that the treasury team were able to get away in March, that's for $US750 million. I flagged that there is a potential hybrid that would be removed and that was the ECS for $US250 million, and that has indeed occurred in June. Now given our strong capital position, given the buyback, no surprises that the Board has resolved that no discount will apply for the DRP for the first half of the year, and of course we'll be acquiring those on market. As Nicholas mentioned, we've announced approval for a buyback and that'll help us with managing our capital going forward.

So with that, I'll hand back to Nicholas.

Nicholas Moore: Thanks Patrick, and I'd now like to provide an update on our short-term outlook. As usual, we start with the five different business groups and talk about some of the factors that we think will be impacting their results for the next six months. Starting on the annuity-style businesses with the MAM business, we note here obviously we received very large performance fees in the first half and we don't expect to receive that level of performance fees in the second half. We do expect base fees to be broadly consistent half-on-half. The CAF business, we note the size of the leasing books and the size of the principal books. But also, we note that the final profitability for the year will be determined by the timing of transactions, particularly in the principal finance book. Banking and Financial Services, we note the ongoing growth taking place in the businesses across banking and financial services, which should result in greater income of course for the next six months.

Turning to the capital markets facing businesses, we note the subdued market conditions in some of the commodity businesses. We also note the lower levels of impairment and investment-related income in the Commodities and Global Markets business. With Macquarie Capital, we assume that the market conditions that we've experienced will be broadly consistent. As you'll recall, that's M&A and ECM being subdued but DCM being strong. But also, we note a strong pipeline of principal realisations are expected, and of course we completed the Global Investment Bank acquisition in the first six months.

Now bringing all those different Group contributions together, we expect year-on-year that they'll be slightly up on where they were last year. So all the five different groups, having regard to them all, we expect them to be slightly up on where they were last year. The tax rates for the full year we now expect to be broadly in line with where we were in the first half and indeed the second half of last year. Now as I mentioned, that's down slightly on where the tax rate was last year. Obviously substantial performance fees were recognised in the first half, which we don't expect to be recognised in the second half. So, overall, we expect that the second-half result will be down on the first-half result, albeit the second-half result will be largely in line with the second half of last year. Accordingly, we expect the Group's result for the full year to be slightly up on where we were at the end of last year.

That short-term outlook of course is subject to the usual caveat, in particular with respect to market conditions, the impact of foreign exchange, and potential regulatory changes and tax uncertainties.

Our medium-term outlook slide is unchanged from where we've been for I think at least six or seven years now, which is basically expressing our confidence in our ability to deliver superior performance in the medium term. That confidence comes from the deep expertise we have in our group and the various markets that we operate in. We see that obviously in the annuities-style businesses today, superior performance being delivered by Macquarie Asset Management, Corporate Asset and Finance and Banking and Financial Services.

The capital markets facing businesses are also very well positioned to benefit from improved market conditions with strong platforms and strong franchises and we're seeing that in the results again today. We're going to continue to see the benefits of continued cost initiatives and of course this is all supported by a very strong and conservative balance sheet and perhaps even more importantly, proven risk management framework and culture for the Group.

The final slide details where we have the capital across the Group and when you note it compared to where we were six months ago, you'll see the step up of equity in both annuity businesses with the equity being extra capital being used in MIRA and the extra capital being used in Macquarie Capital. You can see the returns reflecting the strong return obviously coming out of the annuity businesses for the first six months and the lower returns for the capital markets facing businesses in the first six months of this year.

Now with that, I'll hand over to Karen who will take questions. Thank you.

Karen Khadi: Thanks Nicholas and we'll now open up for questions. We'll start with questions from the floor and then rotate between the teleconference line. For those of you in the audience that do want to ask questions, can I kindly please ask that you wait until a microphone is given to you before proceeding. Just again a reminder, we do have press on the line, but we won't be taking questions because this is a briefly for investors and analysts; there will be a separate briefing for media after this.

So we'll start with the first question here in the front, thank you.

Question: (James Ellis, Credit Suisse) Thank you. It's James Ellis here from Credit Suisse. Two questions, one on the short-term outlook and then secondly in relation to the approved on-market buyback of up to $A1 billion. So on the more positive tone which you've given in relation to the fiscal 2018 outlook, to what extent is that a reflection of the strength of the first half results on the one hand

	and to what extent do you think that's a reflection of the more positive outlook which you have going into the second half?
Nicholas Moore:	I think it's very much a result of what we've seen in the first half. First half result obviously has been very strong, up 19% on where we were this time last year, so that obviously sets us up very well for the full year, so largely reflective of the first half, but it also includes our expectation in terms of how the businesses will perform in the second half. Now in terms of our summary, we've been through that business by business showing you the sorts of factors that will impact upon that and particularly the strong result that we saw coming from the performance fees not being reflected in the second half. But obviously we do see a strength coming through a number of the businesses over that period.
Question:	(James Ellis, Credit Suisse) Just in relation to the approval for the buyback, the last time Macquarie did an on-market buyback, it was for a $A500 million amount and that was broadly half completed.
Nicholas Moore:	Yes.
Question:	(James Ellis, Credit Suisse) Back at that period when it was executed, Macquarie was trading on broadly one times book. Now that Macquarie's trading at close to two times book, I just wondered if you could talk about how you think about value and what is compelling buying for actually executing that buyback now as opposed to previously.
Nicholas Moore:	Sure. You're quite right. The share price has changed over that period. We do have a substantial surplus and we've had a substantial surplus for a number of years now. So in terms of the flexibility that we would like, we've received approval from the Board and we've received other approvals necessary to proceed. We're not providing a timetable for that buyback plainly, as we said, it does depend on market conditions and does depend upon opportunities that are available for the business at the time.
Karen Khadi:	Might just take a question from the front, thank you.
Question:	(Jonathan Mott, UBS) Thank you, Jon Mott from UBS, just following right on from that, you've seen the biggest increase in equity investments you've had for many, many years and obviously a part of that is the Green Investment Bank.
Nicholas Moore:	Yep.
Question:	(Jonathan Mott, UBS) But also an additional 20 investments in the energy space and net 20 that you've seen come through and many other investments with the Group. So can you tie together the opportunity for new investments that you're seeing at the moment, given there's a lot of liquidity in the world, a lot of demand for assets that we've been talking about for many years, at the

same time that you're looking to return capital via a buyback? So what are your opportunities for deploying capital versus returning it at a multiple of book?

Nicholas Moore: Yes, that's a good question. So from the use of the equity over the period, as Patrick outlined, it was broadly, I think, equal between MIRA and MacCap in terms of the use of it. With MacCap - sorry, with MIRA, a lot of that should be viewed in large part in terms of an underwriting. So we expect that the assets that we've underwritten from a MIRA viewpoint will actually flow out into investors' hands in the not too distant future. So yes, the capital is being used, but it's being used on an underwriting basis in that category.

From a MacCap viewpoint, the timeframe is probably longer, but still, it will be working capital that will be flowing through the business on an ongoing basis. So with both of those, the use of the capital hasn't been to change the long term structure of the business, it's all related to the day-to-day business, as it were, of the Macquarie Group. So you're quite right, there are good opportunities out there and that's why we've made mention that any buyback will be subject to the opportunities that we see available to us at the time. But to have the flexibility to actually execute the buyback, we've received the approvals from all necessary parties, including the Board, to do that.

Patrick Upfold: It's probably worth just also mentioning Jon, we are generating capital every year as well, so that does provide a lot for us to seek those opportunities.

Karen Khadi: Maybe one question at the back.

Question: (Brian Johnson, CLSA) Brian Johnson, CLSA, congratulations on the result.

Nicholas Moore: Thanks Brian.

Question: (Brian Johnson, CLSA) When we have a look in the slides today, on the outlook you're flagging equity realisations. When we have a look at the capital and MacCap, in six months it's gone from $A1.7 billion to $A2.3 billion. When we have a look at the equity investment slide, it's up and it's up big time.

Nicholas Moore: Yes.

Question: (Brian Johnson, CLSA) Could we get an update just on the IPO pipeline that's been discussed in the press? So I'd be interested in Nuix specifically, PEXA specifically and also Quadrant Energy and is it factored into the outlook?

Nicholas Moore: Right, well those three, they're all of course, although they're not listed companies, they're all public companies and they have their own boards and their own decision-making process in terms of how they will proceed to the market. So I don't know that we have any more detail, looking at Tim, whether we have any more detail in terms of the timing of those three different investments at this stage.

Tim, would you like to add any comment to that?

Tim Bishop: Thanks Brian. We won't comment specifically in relation to those three assets, but I think as Nicholas and Patrick said, we have an expectation that there will be an increased level of principal realisations in our second half relative to the first half and that's obviously the thing that we're very focused on during the course of the next six months, without commenting specifically on those three assets.

I mean the increased level of activity, though, the general statement, has largely been around green energy and so I think that capital number is a point in time, but it's largely been around green energy, which is both a combination of what we're doing in Europe, but also what we're seeing in terms of significant opportunities in Asia as well.

Karen Khadi: I might just take a question from the line and then come back to you, Richard.

Operator: Thank you. The first phone question comes from Frank Podrug from Merrill Lynch. Please go ahead.

Question: (Frank Podrug, Merrill Lynch) Thank you and firstly congratulations and good luck to Patrick, Alex and Stephen. So two questions from me, the first is equity raised the MIRA, the trends are very strong for the third consecutive half, you've now raised almost $A22 billion in the last 18 months and that's well above the historical run rate. How much of this is new money versus investors from maturing funds recycling into new funds and if it's new money, is it fair to say structural demand, so infrastructure has stepped up permanently?

Nicholas Moore: Well that's a good question. I'm happy to hand that over to Shemara, but you're right it is a very good performance and I think it's probably in the infrastructure space, the best performance, I think, out there, Shemara, in terms of fundraising. In terms of new money versus old money, there's always a combination. There's a lot of new money flowing in here and we do think it's structural.

Shemara?

Shemara Wikramanayake: Yes, the new versus old money varies by fund, but roughly we're running at about two-thirds re-ups one-third new money and I think that's reflecting what you were saying about flows from the sector overall. So I think we're in a position where there's a lot of liquidity in the world looking to get invested and while some of that may be flowing to taxes at one end, at the other end there's a lot of money being allocated to real asset classes like infrastructure because people are wanting the defensive characteristics of capital protection and the yield characteristics and the stable, reliable returns.

So I think the whole sector is seeing a lot of flow, particularly where assets are flowing in the world within alternatives, real assets are the biggest area of flow. Even though the space has grown a lot and there's a lot more managers, we're still the largest manager by a long way and have realised IRRs at 17%. We have a good, solid track record in the regions we're in.

We're still being disciplined in terms of the size of funds we raise, but we're stepping up a little, there are $A5 billion, $A6 billion size funds now that we're rotating, raising in each of our large regions in North America and Europe and Asia is also now starting to pick up with the Pan Asian fund running in the $A3 billion type range.

Question: (Frank Podrug, Merrill Lynch) Is it okay for a second question, Karen?

Karen Khadi: Is it okay if I just take a question from the floor and come back to you?

Question: (Frank Podrug, Merrill Lynch) Sure.

Karen Khadi: Thank you. Just Richard Wiles, thank you.

Question: (Richard Wiles, Morgan Stanley) Thank you, good morning, Richard Wiles, Morgan Stanley. Just wanted to ask a question about MEIF3. It's driven, or been one of the drivers of the high performance fees in first half. If I'm correct, this fund was established in 2008, it was closed in 2010, so just seven years later, it's already generating performance fees. I think there's three assets in the fund, I might be wrong, but I think there's three assets in the fund. It looks like you've sold one of them and you've already got to the point where you're virtually certain that the fund overall would generate performance fees.

So can you give us an indication of how significant Copenhagen is as a proportion of the total investment and can you confirm that you've been conservative on assumptions around the existing or the remaining assets and if they were to sell for prices above those conservative assumptions, then you would expect to book another performance fee on MEIF3 within the next two to three years?

Nicholas Moore: I hope we can always confirm that we'll be conservative in terms of our view of asset values, but it is uncertain. I mean the reason we're conservative is because there's obviously volatility around these issues. In terms of the composition of the fund, it's probably best to hand to Shemara, who sat in front of you, she can talk about the composition and in terms of the timing of the realisation of further fees in that fund. So maybe hand the microphone to Shemara.

Shemara Wikramanayake: Thanks. Yeah, you're right, the MEIF3 fund basically had Copenhagen and Brussels were its large investments and then they've had a Czech towers asset which is a smaller one and basically in terms of how we recognise performance fees on the basis of it being highly improbable there's a risk of reversal, so in relation to the assets that are in there, we look at valuations on them and recognise performance fees on that basis. You can call it conservative but the test is improbably, highly improbable risk of reversal in terms of what valuations we'd used on remaining assets.

That's why we've reached a level at the whole of fund level where we're in performance fee territory now and we share at a certain rate, once we hit the hurdles, that by recognising large performance fees. I should also say with Copenhagen, we were preparing to run a competitive process on that, but pre-emption rights was exercised by one of our co-shareholders, so it ended up being recognised at an earlier time than we expected and as it turned out, the higher season we had in our recognition of fees prior to that. So that's where we sit with MEIF3. It's getting to its 10-year, Brussels is really the only big meaningful asset left in there, which also is the last asset left in MEIF1.

Karen Khadi: Okay. Just a question at the back there.

Question: (Andrew Triggs, JP Morgan) Thank you. It's Andrew Triggs from JP Morgan. To follow on from that Shemara, perhaps, Macquarie Infrastructure Partners are the similar era to MEIF1. Sorry, MEIF3 I should say. Could you perhaps give an update on the likelihood and timing of the performance fees there?

Nicholas Moore: This is our US fund.

Shemara Wikramanayake: Yes. At the time of the financial crisis, we raised, just before, in 07, Macquarie Infrastructure Partners 1, which was about a $US4 billion fund and we raised MEIF2 in Europe, which is a €4 billion fund. Both of those things, the vintage they are, we haven't at this stage budgeted their coming into performance fee, the large funds that we have then just below the hurdle at the moment. So it would depend on realisations there.

The fund that would be equivalent of MEIF3 was be MIP2 so behind the European funds. That was about a €1.5 billion fund and it's just started to do realisations. Some time ago you may recall we realised very good IRR, a towers asset in that, broadcast towers, atelecommunications towers asset called GTP. That's already been realised with a very good return and we're starting to realise other assets in both MIP1 and MIP2 now at the main shared asset utility on the west coast in the US remaining after GTP. For that, MIP1 though is on the cusp of performance fees or not; MIP2 should generate performance fees potentially starting next financial year but most likely the year after. It will depend on timing of when we realise assets.

Karen Khadi: We might just go back to the teleconference line and pick up the second part of your question, Frank.

Question: (Frank Podrug, Merrill Lynch) Second question is on CAF Principal Finance. It's been an outstanding performer but the book is amortising pretty rapidly now given market conditions. What's your attitude to the book from here? Are you happy to simply sit back, keep dry powder, wait until more attractive opportunities occur, whenever that might be? Or is there a threshold at which you're saying we need to chase a bit of growth?

Nicholas Moore: Well, we've always said it's not a franchise-driven business and that's partly why we've changed the name, to reflect that. It's one that is very much looking for the risk return on every asset that we actually put on the books and do it very carefully.

In terms of where it's at today, I think we are very happy that it's sized right for the market that we see today. They continue to be very, very active in terms of engaging with the market and maybe Ben would like to comment in terms of market opportunities at the moment and what we can see in the short term.

Ben Brazil: The opportunities we're addressing are really across the spectrum and I think that's described in the results here. That includes some lower-risk, lower-return assets all the way through to higher-risk, higher-return assets and as a result you don't want to allow the portfolio size to lead you too much as to what that might result in relation to profitability and I think that's articulated pretty clearly in the results as well.

Karen Khadi: We'll just take a question from the left there, from Craig Williams.

Question: (Craig Williams, Citi): Thank you. It's Craig Williams from Citi here. Given the mix change in your business towards the so-called annuity businesses, the barge asset portfolios which were built in recent years and given the rise in asset prices in recent years with QE and the like, does that give you more confidence in your ability to hold revenue and profitability at or around current levels than perhaps we've seen in the past, in say like 2009-2012 period where we saw I think three or four years some falls in profitability for the Group at that stage?

Nicholas Moore: Yes, Craig. As you say, the diversified nature of our business is a real strength, so it does mean that we can respond to market conditions that will be - as varied as they may be, and maintain our profitability. Obviously, none of us know what the future will be but having a broad base of businesses as we do, we believe adds a lot of strength to the overall business.

Karen Khadi: Is there a question from the front?

Question: (Richard Wiles, Morgan Stanley): Richard Wiles, Morgan Stanley. The commodities performance was perhaps a touch weaker than some might have suspected and you said it was due to lack of volatility in markets. Could you give us a bit of colour as to whether that was across the board in commodities or whether it was concentrated in your energy business? And can you also comment on whether we should expect the US hurricanes to lead to a better performance at the start of the second half or should we downplay that view?

Nicholas Moore: Well, if we go to the slide, I think we actually break out the different movements in the different books. So if we look at slide 16, if we could bring that up. Yes. So if we look in the commodity markets, as we say at the top, mixed results across the commodities platform, which is of course reflecting what you're saying, Richard, but lower volatility impacting client hedging activity in Global Oil, North American Gas and Metals, partly offset by stronger results in North American Power, Bulk Commodities, Investor Products and Agriculture. As you were suggesting, it is a mixed outcome there, and it's the low volatility obviously coming out of that Global Oil and North American Gas that has been the major contributor.

In terms of the impact of the hurricane, I don't think we're expecting any material impact in the results for the Group.

Karen Khadi: I might take a question right at the back there.

Question: (Brett Le Mesurier, Velocity Trade) Thanks. Brett Le Mesurier, Velocity Trade.

Tim referred to a fair few asset sales that you're planning to do this half or hoping to do this half. I presume they're currently classified in the balance sheet as Available for Sale. Would that be correct?

Nicholas Moore: Yes, some of them are and some of them are fair-value true P&L and some of them are treated as Associates. Most of our investments, equity investments, that we make tend to be Associate and the reason you get that classification is that we tend to have significant inputs over those businesses, which you'd naturally expect we would have. So if you go and have a look at the accounts, you'll see that AVS equity is probably around $A750 million of equity there, whereas in the associate level we'd have $A3.5 billion, just to give you some context of that. There's also another category of assets, which we called Held for Sale, which is where we've bought something.

These typically would go with underwritten positions, but typically where we've brought onto the balance sheet and we intend to dispose of it and we're doing things to dispose of it within 12 months. That's where you're seeing quite a significant step-up over the last little while. Most of that relates to those positions I referred to in MAM, but some of those positions, MacCap, part of its business is working alongside its clients. It steps up and uses our balance sheet to take on positions with the intention of selling down over 12 months, so, Tim, have you got anything you want to add to that?

Tim Bishop: The Available for Sale reserve has fallen significantly down to $A70 million odd at this result.

Nicholas Moore: Yes.

Tim Bishop: That's an indication, isn't it, of the gain that you would get from selling those…

Nicholas Moore: That's right.

Tim Bishop: …assets.

Nicholas Moore: Yes. Some of those assets, that's right. So the bulk of them are in those other categories that I've referred to.

Question: (Brett Le Mesurier, Velocity Trade) Do you have an expectation as to the difference between what you've got in the reserve and market value?

Nicholas Moore: Well, the reserves, of course, are meant to be reflective of what their market value is. The gain, there will be a gain, the gain that's sitting in the reserve is held there until disposition, so it should be reflective of what's - in that particular category - of what goes through the P&L.

Question: (Brett Le Mesurier, Velocity Trade) So the transfer out of that reserve of $A280 million odd…

Nicholas Moore: Yes.

Question: (Brett Le Mesurier, Velocity Trade) …that basically went straight into the P&L measure of the gain.

Nicholas Moore: That's right, so there's gains and reclassifications which occur, which - once they occur, they get put through the P&L.

Question: (Brett Le Mesurier, Velocity Trade) So this half will - the second half 18 will actually be harder then, given your starting point?

Nicholas Moore: Well, again, I just take you back to the relative side, so $A4 billion, I think, if you break all those numbers down, you have circa $A4 billion sitting in Held for Sale. You would have - you have $A3.5 billion sitting in Associates. We're not marking through reserves. There's different accounting treatment. Then you've got your got AVS and that is the smaller part of our equity investments from an accounting classification, another viewpoint, but you do get visibility obviously in the AVS because you've got a reserve sitting there which is marking it from book to fair value.

Karen Khadi: We might just take a question just from the gentleman in the middle back there. Thank you.

Question: (Pankaj Shinde, Genpact) Hi, thanks. My name is Pankaj from Genpact. I have a question on your BFS business, so very pleasing to see that in spite of not having the gain from the disposal of the Life business, so that’s an upside and that you’ve grown the business by 7 to 9%. My question is there's been a lot of marketing there’s investment in the front office, that all happened obviously. That led to the growth in the BFS business. Is there a business strategy around how you manage - how you plan to manage the middle and the back office and how you plan to give those parts of the engine up to handle the increased volume?

Nicholas Moore: Yes, well, that's a good question. Maybe I'll hand that over to Greg. There obviously has been a very substantial investment across banking and financial services, including the bank office in recent years, which has allowed the growth to take place that we've been witnessing over the last few years. So very, very substantial investments which are delivering for us. In terms of the growth going forward, obviously they're continued to invest across all the different platforms. Greg, would you like to highlight some of the technology investments that you've made and you're making to support the growth?

Greg Ward: Yes, sure, Nicholas. So there's been really good growth in all the businesses, deposits, the loan books and also the wealth platforms. In each of those areas over the last four years and indeed longer than that, we've been investing significantly in technology and I think we've told the market about some of the major programs, including the Core Banking program, which is a multiyear program to re-platform our lending and deposit systems. But on top of that, we've basically rearchitected all of the infrastructure from the core platforms right through to the digital front office suite.

What that does is not only let's clients have a better experience and be able to more easily meet their requirements, but it makes it a lot more efficient to service those customers. What we've seen in the last few years is that our expense base is not really increasing other than the investments we're making in technology, but, of course, the number of customers and books are increasing, so we're getting a better level of customer service and in a more efficient way. That's what we'll continue to do to continue to grow the business in an efficient way.

Nicholas Moore: Thanks, Greg.

Karen Khadi: A question at the back there.

Question: (Brian Johnson, CLSA) Brian Johnson, CLSA. It strikes me that if you understand the remuneration structure, you really understand how Macquarie works, so two related questions. The first one is you've got $A1 billion in surplus capital, you're trading at two times book. You don't have franking credits. When I have a look at the incentivisation scheme, the bonus pool is ROE driven, but the performance share units, which is the ExCo who makes a decision, is basically EPS growth and ROE. I just wanted to understand why that $A1 billion, if you're trading at such multiple a book, why it isn't actually being handed back directly as a cash dividend?

Then the second related question is that when I have a look at slide 25, which is basically the remuneration and then I look at the ROE. In the first half of last year, 14.6% ROE generated at $A2.3 billion rem expense. In the second half we had a 15.8% ROE, which generated $A2.1 billion of rem. This half we have a 16.7% ROE and the rem goes to $A2.3 billion. It looks as though there might be a pattern where you seem to over accrue in the first half based on the methodology and then not quite hand it out for the long suffering staff in the second half. I'd just like to understand what's going on with the divergence between the ROE and the rem expense?

Nicholas Moore: Okay. We'll come into the cash dividend. I mean, we do have regular dividends reflecting the underlying growth in earnings of course but we've had a surplus cash - a surplus, pardon me, capital position for some time now and as Patrick highlighted that capital surplus grows as our profitability grows. So we're in the position where not only do we have a surplus capital position but if we do nothing that capital position is expected to grow. So we need to respond to that.

Now we think it's more effective to be looking at a buyback, we've done buybacks before. We think it's more effective to look at a buyback rather than a cash dividend from a shareholder viewpoint. In terms of the staff, profit share payment and remuneration, I think it's made clear in the Remuneration Report and the discussions the Board has at the AGM and other events that the approach we take with remuneration is very much a bottom up driven approach, where we look business by business at the market for each business.

We look at the returns for each business and we determine the profit share for each business on a business by business basis. So I wouldn't look to global measures. As I said in my introductory comments to the presentation it's always important to consider Macquarie has five different businesses that make it up and remuneration is no different than any other element of the group. Each one of those different businesses is operating in different markets with different constraints and drivers.

So I think when you think about remuneration at Macquarie, think about it very much on a bottom up basis rather than a top down basis. Think about how those different businesses are responding to those market conditions. I think that's probably the best way of looking at it.

Karen Khadi: It looks like there's no more questions in the room and…

Nicholas Moore: Hang on, Brian's got another one, Karen.

Karen Khadi: Okay.

Question: (Brian Johnson, CLSA) The CLF for the whole banking sector actually goes up next year, yours has been flat as the RBA has been winding it back. Patrick, can you tell us what's your budget for the CLF next year? Is it up or down? Is it still $A5.0 billion and what does it do to the NSFR and the CLF and the LCR?

Patrick Upfold: Look, it's up, consistent with the rest of the industry. I can't actually recall exactly what the number is, whether we've given that number out yet but it will go up as with the rest of the industry. It really is not going to have a significant bearing on our LCR or our NSFR. Our own liquidity position is very, very conservatively managed run.

Nicholas Moore: Probably just one last thing, I'd like to thank Karen. Karen is stepping down as Head of Investor Relations at the end of this week. She's going on to become the CFO of our MAM business. So Karen has done a great job over the last five years, many people have got to know her. You can still see her in her role for the next week. She'll be replaced by Sam Dobson, who is in the room. I think many of you know Sam as well, he's been in the role before. So once again, Karen, many thanks.

Karen Khadi: Thank you. Thanks, Nicholas. Given there are no more questions or announcements I'd like to thank you all for joining us. For those of you who would like to stay there is some morning tea outside, which we invite you all to. A webcast of this briefing will be put on Macquarie.com later today and our next investor event is the operational briefings which Sam will chair in February. Thank you.

[END OF TRANSCRIPT]