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MACQUARIE GROUP ANNUAL GENERAL MEETING AND FIRST QUARTER UPDATE

Key points:

- **Operating groups' contribution[1] in 1Q14 up on a subdued 1Q13 and up on 4Q13**
- **Annuity-style businesses[2] up on pcp and prior quarter, with a strong performance from Macquarie Funds Group**
- **Capital markets facing businesses[3] up significantly on a subdued pcp, with a profitable Macquarie Securities up on 1Q13**
- **APRA Basel III Group capital of $A13.4[4] billion, $A2.8[5] billion in excess of minimum regulatory capital requirement**
- **Macquarie Bank Limited APRA core equity tier 1 ratio of 9.9% as at 30 June 2013**
- **Funded balance sheet remains strong**
- **Continue to expect improved result for FY14 on FY13 provided market conditions for FY14 are not worse than those experienced over the last 12 months**

SYDNEY, 25 July 2013 – Macquarie Group (ASX: MQG; ADR: MQBKY) Managing Director and Chief Executive Officer, Nicholas Moore, said today that the operating groups' contribution for the first quarter of the 2014 financial year (1Q14) was ahead of a subdued first quarter of the 2013 financial year (1Q13) and the prior quarter (4Q13).

Speaking ahead of Macquarie's 2013 annual general meeting, Mr Moore said: "Macquarie's annuity-style businesses are up on 1Q13 and the prior quarter, with a strong performance from Macquarie Funds Group."

Macquarie's capital markets facing businesses were up significantly on a subdued 1Q13, with a profitable Macquarie Securities up on 1Q13.

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[1] All references to 'contribution' represent management accounting profit before unallocated costs, profit share, income tax and period end reviews.
[2] Annuity-style businesses represent Macquarie Funds Group, Corporate and Asset Finance and Banking and Financial Services.
[3] Capital markets facing businesses represent Macquarie Securities, Macquarie Capital and Fixed Income, Currencies and Commodities.
[4] Includes Macquarie Capital Notes (MCN) but not Macquarie Convertible Preference Securities (CPS), the latter having been redeemed 1 July 2013.
[5] Calculated at 7% RWA.

Mr Moore also noted, with over 60% of Macquarie's operating income coming from offshore, the recent devaluation of the Australian dollar (AUD) will likely impact Macquarie's earnings. All things being equal, for an average 10 per cent movement in the AUD the full year impact on earnings is estimated to be approximately 6 per cent.

There were no significant one-off items during the quarter.

Macquarie remains well capitalised with APRA Basel III Group capital of $A13.4 billion at 30 June 2013, a $A2.8[6] billion surplus in excess of Macquarie's minimum regulatory capital requirements, down from $A3.1 billion at 31 March 2013.

In May 2013, APRA issued its draft rules for Conglomerates. Whilst the rules are yet to be finalised, Macquarie's current assessment is that it has sufficient capital to meet the proposed minimum APRA capital requirements for Conglomerates, which are expected to take effect from 1 January 2014.

The APRA core equity Tier-1 capital ratio for Macquarie Bank was 9.9 per cent at 30 June 2013, up from 9.7 per cent at 31 March 2013.

The acquisition of Macquarie shares required for the financial year ended 31 March 2013 (FY13) profit share and promotion awards under the Macquarie Group Employee Retained Equity Plan (MEREP) was completed in June 2013. A total of approximately $A216 million of MQG shares were purchased at an average purchase price of $A43.56.

First quarter business highlights

In commenting on the Group's start to the 2014 financial year (FY14), Mr Moore noted the following highlights:

- **Macquarie Funds Group** had $A379.3 billion in assets under management at 30 June 2013, this being up $A35.8 billion on 31 March 2013. The increase was mainly driven by foreign exchange movements and investment of MIRA funds, partially offset by negative market movements and MIRA asset disposals. The quarterly results included performance fees of approximately $A65 million, predominantly from Macquarie Infrastructure Company, Macquarie Atlas Roads and Macquarie Korea Opportunities Fund. During the quarter, Macquarie European Infrastructure Fund 4 closed with €2.75 billion in investor commitments, above its €1.5 to €2 billion target. In July 2013, Macquarie Investment Management, part of Macquarie Funds Group, entered into an

[6] Calculated at 7% RWA.

agreement to acquire ING Investment Management Korea from ING Group[7], an asset manager in Korea with AUM of KRW 25.2 trillion, or approximately $A24 billion.

- **Corporate and Asset Finance's** asset and loan portfolio increased to $A24.3 billion at 30 June 2013, up 8 per cent from 31 March 2013. The majority of the increase related to foreign exchange translation, with portfolio additions of approximately $A1 billion in corporate and real estate lending across both new primary financings and secondary market acquisitions broadly offset by early repayments and disposals. Securitisation activity continued during the quarter with $US750 million of motor vehicle leases and loans secured. Ongoing growth continued in the motor vehicle and equipment finance programs, while the mining equipment finance business also continued to expand.

- **Banking and Financial Services** had retail cash deposits exceeding $A32 billion at 30 June 2013. The completion of the Perpetual platform transfer to Wrap on 1 April 2013 contributed to the increase in Wrap funds under administration to $A33 billion at 30 June 2013, up 32% from 31 March 2013. Work on the ASIC Enforceable Undertaking is progressing well and remains on track.

- **Macquarie Securities Group** contribution for 1Q14 was up on a subdued pcp. This was a result of both a modest improvement in global market volumes as well as a significant reduction in legacy expenses. Notably, ECM markets, whilst improved on pcp, remain subdued. Notwithstanding weak markets, MSG was profitable in the first quarter.

- **Macquarie Capital** experienced subdued M&A activity this quarter, however improved ECM and principal performance offset this. Macquarie Capital was ranked number one for completed M&A deals in Australia and announced M&A deals in South East Asia[8].

- **Fixed Income, Currencies and Commodities** saw improved volatility across foreign exchange and some commodity markets resulting in increased client hedging activity and trading opportunities. Resource equity markets continued to remain challenging and there has been recent weakening in sentiment in credit markets.

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[7] Subject to certain closing conditions including regulatory approval.
[8] Dealogic, announced (SE Asia) and completed (Australia), 1H CY13 (by value).

Outlook -- See "Cautionary Statement Regarding Forward-Looking Statements"

Since our 2013 full year (FY13) result announcement on 3 May 2013, there have been changes to the short term outlook for some of the operating groups:

- MFG: FY14 expected to be up on FY13 due to base and performance fees and the impact of foreign exchange rates
- FICC: FY14 expected to be broadly in line with FY13 given likely impairments in Metals and Energy Capital

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

The FY14 tax rate is currently expected to be broadly in line with FY13.

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. It is currently expected that the 2H14 result will be stronger than 1H14.

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

The Group has deep expertise in major markets and we continue to build on our strength in diversity and adapt our portfolio mix to changing market conditions. We are seeing the ongoing benefits of continued cost initiatives, our balance sheet is strong and conservative, and we have a proven risk management framework and culture.

Highlights from the address of Chairman, Kevin McCann

In providing an overview of FY13, Macquarie Group Chairman, Kevin McCann, noted there was a general improvement in market conditions in the year to 31 March 2013.

However, there remained a number of challenges globally as well as concerns in Australia regarding the slow down in mining investment. Client activity therefore remained subdued which was particularly evident in Macquarie's capital markets facing businesses.

Mr McCann said: "Macquarie's performance reflected this generally improving environment. As we outlined at our full year results, Macquarie recorded a profit for the year to 31 March 2013 of $A851 million, an increase of 17 per cent on the previous year. Earnings per share increased by 20 per cent to $A2.51.

Mr McCann also noted the activities of Macquarie's staff and the Macquarie Group Foundation across the various communities in which it operates.

"During the year, the Macquarie Group Foundation and Macquarie staff contributed $A22.6 million to more than 1,300 community organisations around the world. In addition, Macquarie staff contributed 38,000 hours of their time during the year – the equivalent of 5,000 days – as volunteers, fundraisers and pro bono advisers. Since its inception, the Macquarie

Group Foundation and Macquarie staff have contributed more than $A190 million to not-for-profits globally and many, many hours of their time. We are very proud of this record."

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Cautionary Statement Regarding Forward-Looking Statements This release contains, in addition to historical information, certain forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "expects", or "anticipates", or variations of such words and phrases, or state that certain actions, events or results "would" or "will" be taken, occur or be achieved. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements of Macquarie to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements, including the risks described under "Risk Factors" in Macquarie's Disclosure Report (U.S. Version) for its Fiscal Year ended March 31, 2013. Many of these risks and uncertainties relate to factors that are beyond Macquarie's ability to control or estimate precisely, such as future market conditions, changes in regulatory environment and the behavior of other market participants. Macquarie cannot give any assurance that such forward-looking statements will prove to have been correct. The reader is cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. Macquarie is under no obligation, and disclaims any obligation, to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.