



ASX/Media Release

MACQUARIE GROUP 2015 ANNUAL GENERAL MEETING AND FIRST QUARTER FY16 UPDATE

Key points:

- **Both Annuity-style businesses' and Capital markets facing businesses' 1Q16 contributions up significantly on prior corresponding period and broadly in line with the prior quarter**
- **Macquarie Group Australian Prudential Regulation Authority (APRA) Basel III capital of \$A15.8 billion, \$A2.4 billion in excess of minimum regulatory capital requirements from 1 January 2016**
- **Macquarie Bank APRA Basel III Common Equity Tier 1 ratio of 9.9%**
- **Funded balance sheet remains strong**

SYDNEY, 23 July 2015 – Macquarie Group (ASX: MQG; ADR: MQBKY) Managing Director and Chief Executive Officer, Nicholas Moore, said today that both Macquarie's annuity-style businesses' and capital markets facing businesses' contributions¹ for the first quarter of the 2016 financial year (1Q16) were significantly up on the first quarter of the 2015 financial year (1Q15) and broadly in line with the prior quarter (4Q15).

Speaking ahead of Macquarie's 2015 annual general meeting, Mr Moore said "Macquarie's annuity-style businesses² were up significantly on 1Q15, driven by the underlying growth of the businesses, a weaker Australian dollar, as well as increased performance fees and asset disposals in Macquarie Asset Management."

"Macquarie's capital markets facing businesses³ were also up significantly on 1Q15 reflecting a weaker Australian dollar and the continued improvement in trading conditions across most of the businesses."

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

Macquarie remains well capitalised with APRA Basel III Group capital of \$A15.8 billion at 30 June 2015, a \$A2.4 billion⁴ surplus in excess of Macquarie's minimum regulatory capital requirement from 1 January 2016, which was down from \$A2.7 billion at 31 March 2015.

The APRA Basel III Common Equity Tier 1 (CET1) ratio for Macquarie Bank was 9.9 per cent at 30 June 2015, which was up from 9.7 per cent at 31 March 2015.

¹ Represents management accounting profit before unallocated corporate costs, profit share, income tax and period end reviews.

² Annuity-style businesses consists of Macquarie Asset Management, Corporate and Asset Finance, and Banking and Financial Services.

³ Capital markets facing businesses consists of Macquarie Securities, Macquarie Capital, and Commodities and Financial Markets.

⁴ Calculated at 8.5 per cent Risk Weighted Assets (RWA) including capital conservation buffer (CCB), per the 1 January 2016 minimum requirements in APRA Prudential Standard 110. The APRA Basel III Group capital surplus is \$A3.8 billion calculated at existing requirements of 7.0 per cent RWA, per the internal minimum Tier 1 ratio of the Bank Group.

As previously announced to the market, on 20 July 2015 APRA released its changes to the level of capital required to be held against residential mortgages. The proposed changes do not come into effect until 1 July 2016, however, based on our current mortgage portfolio, the impact on Macquarie's APRA Basel III capital surplus would be approximately \$A150m (at 8.5% RWAs), equivalent to a 20 basis point reduction in the Bank Group's CET1 ratio. This increased capital requirement is expected to be accommodated from the existing capital surplus and retained earnings.

The acquisition of Macquarie shares required for the financial year ended 31 March 2015 (FY15) profit share and promotion awards under the Macquarie Group Employee Retained Equity Plan (MEREP) was completed in July 2015. A total of approximately \$A383 million of Macquarie shares were purchased on-market at an average purchase price of \$A80.68 per share.

First quarter business highlights

In commenting on the Group's start to the 2016 financial year (FY16), Mr Moore noted the following highlights:

- **Macquarie Asset Management (MAM)** had \$A477.4 billion in assets under management at 30 June 2015, broadly in line with 31 March 2015, as positive net flows within Macquarie Investment Management (MIM) were offset by foreign exchange and market movements as well as net divestments within Macquarie Infrastructure and Real Assets (MIRA) managed funds. 1Q16 included performance fees of \$A208 million, predominantly from Macquarie Infrastructure Company and Macquarie Atlas Roads. During the quarter, MIRA completed six acquisitions and three follow-on investments in five countries, totalling \$A1.4 billion of equity under management. MIM was awarded over \$A2 billion in new institutional mandates across ten strategies in six countries and Macquarie Specialised Investment Solutions raised over \$A900 million for Australian principal protected investments and specialist funds.
- **Corporate and Asset Finance's (CAF)** asset and loan portfolio increased to \$A29.2 billion at 30 June 2015 from \$A28.7 billion at 31 March 2015. During the quarter there were portfolio additions of \$A1.2 billion in corporate and real estate lending. Strong securitisation activity continued with a further \$A0.9 billion of motor vehicle leases and loans securitised during the quarter. In July, CAF settled on 37 of the 90 aircraft committed from AWAS Aviation Capital in FY15.
- **Banking and Financial Services' (BFS)** retail deposits increased to \$A38.0 billion at 30 June 2015. Business lending increased 10 per cent on FY15 to \$A5.7 billion and the Australian mortgage portfolio also increased 10 per cent to \$A27.0 billion. BFS' Wrap platform funds under administration remained broadly in line with 31 March 2015 at \$A47.4 billion.
- **Macquarie Securities Group (MSG)** benefited from increased volumes and volatility in the market, particularly in Asia where the liberalisation of China's capital markets and credit easing resulted in significant increases in client activity in the region. Australian ECM activity remained strong and MSG was ranked No.1 for completed ECM deals⁵ in Australia and New Zealand (ANZ) during the quarter. The derivatives and trading business also benefited significantly from favourable market conditions.

⁵ Dealogic, 1Q FY16.

- **Macquarie Capital** benefited from the continued strength of global mergers and acquisitions (M&A) and ECM activity during the quarter. 119 deals totalling \$A82 billion were completed in 1Q16, up significantly (by value) on both 1Q15 and 4Q15, mainly due to the timing of large advisory transactions. Macquarie Capital maintained its ranking of No.1 for both announced and completed M&A deals⁶ and No.1 for completed ECM deals⁷ in ANZ, and was awarded Best Domestic Equity House Australia 2015⁸.
- **Commodities and Financial Markets (CFM)** experienced continued volatility in energy markets over the quarter, which led to increased customer business, primarily in Global Oil and North American Gas. Metals activity remained steady while agriculture experienced increased volatility and client volumes. Client volumes were stable in foreign exchange and interest rate markets, while US credit markets remained mixed due to global geopolitical uncertainty. Macquarie Energy maintained its Platts ranking of No.3 US physical gas marketer in North America.

Highlights from the address of Chairman, Kevin McCann

In providing an overview of FY15, Macquarie Group Chairman, Kevin McCann, noted that trading conditions continued to improve across most markets Macquarie operates in for the year to 31 March 2015. Together with many years of investing in the businesses, this has resulted in a significant increase of Macquarie's operating income and profit.

Mr McCann said: "As we outlined at our full year result, Macquarie recorded a profit of \$A1.6 billion for the year to 31 March 2015, an increase of 27 per cent on the prior year."

"Operating income was up 14 per cent to \$A9.3 billion, a record level for the Group."

"International income from the Group continued to grow, accounting for 70 per cent of total income, compared with 35 per cent 10 years ago."

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

"This year the Foundation celebrates 30 years of giving to communities in which we operate. This makes it one of the oldest and largest corporate foundations in Australia."

"In the year to 31 March 2015, over \$A24 million was contributed to more than 1,300 community organisations around the world and staff gave 33,500 hours of their time as volunteers, fundraisers and pro bono advisers."

"We are very proud of the commitment shown by Macquarie staff to the communities in which they live and work around the world."

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⁶ Dealogic, 1Q FY16 (by number).

⁷ Dealogic, 1Q FY16.

⁸ Asiamoney.