Macquarie Group Limited

# Result Announcement for the full year ended 31 March 2012

**Presentation to Investors and Analysts**
**27 April 2012**

**Nicholas Moore,** Managing Director and Chief Executive Officer
**Patrick Upfold,** Chief Financial Officer

# Disclaimer

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Unless otherwise specified all information is for the year ended 31 March 12.

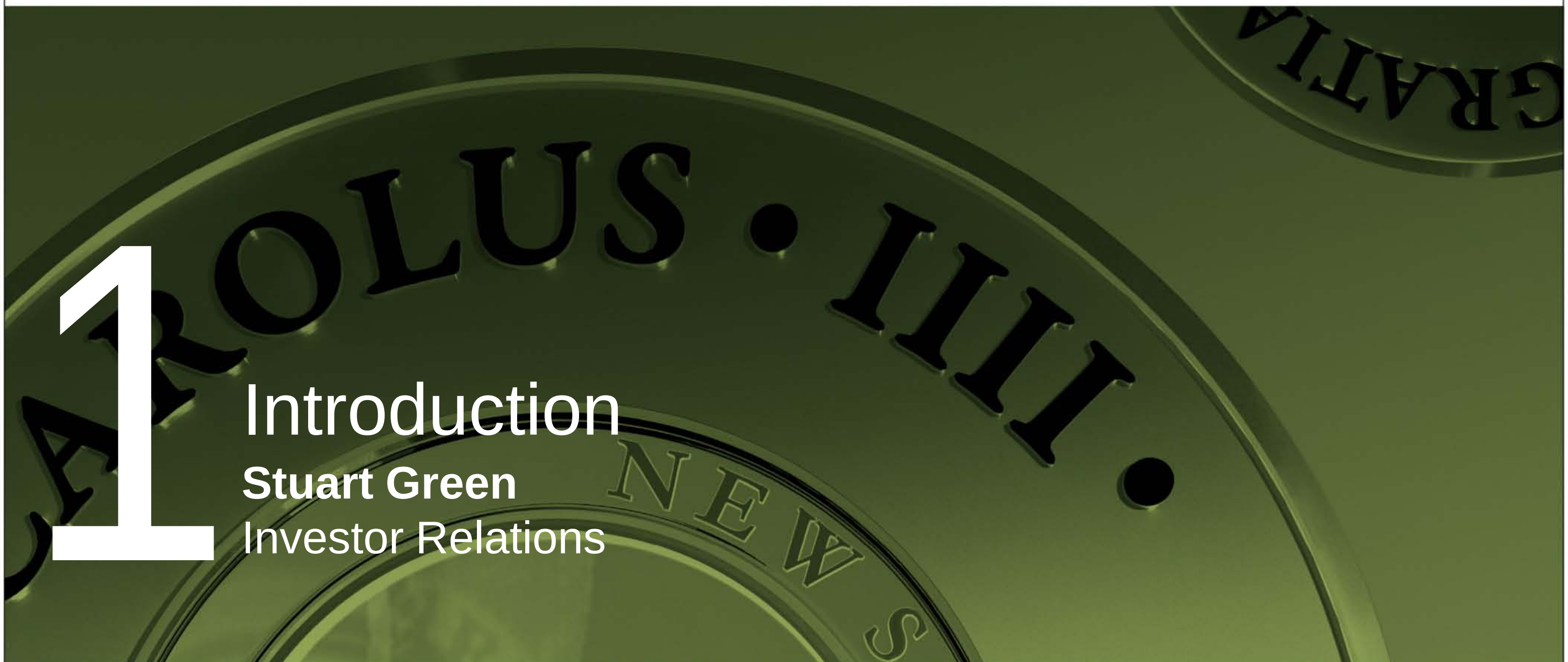
Certain financial information in this presentation is prepared on a different basis to the Macquarie Group Limited Financial Report, which is prepared in accordance with Australian Accounting Standards. Where financial information presented within this presentation does not comply with Australian Accounting Standards, a reconciliation to the statutory information is provided.

This report provides further detail in relation to key elements of Macquarie Group Limited's financial performance and financial position. It also provides an analysis of the funding profile of the Group because maintaining the structural integrity of the Group's balance sheet requires active management of both asset and liability portfolios. Active management of the funded balance sheet enables the Group to strengthen its liquidity and funding position.

Any additional financial information in this presentation which is not included in the Macquarie Group Limited Financial Report was not subject to independent audit or review by PricewaterhouseCoopers.

# Agenda

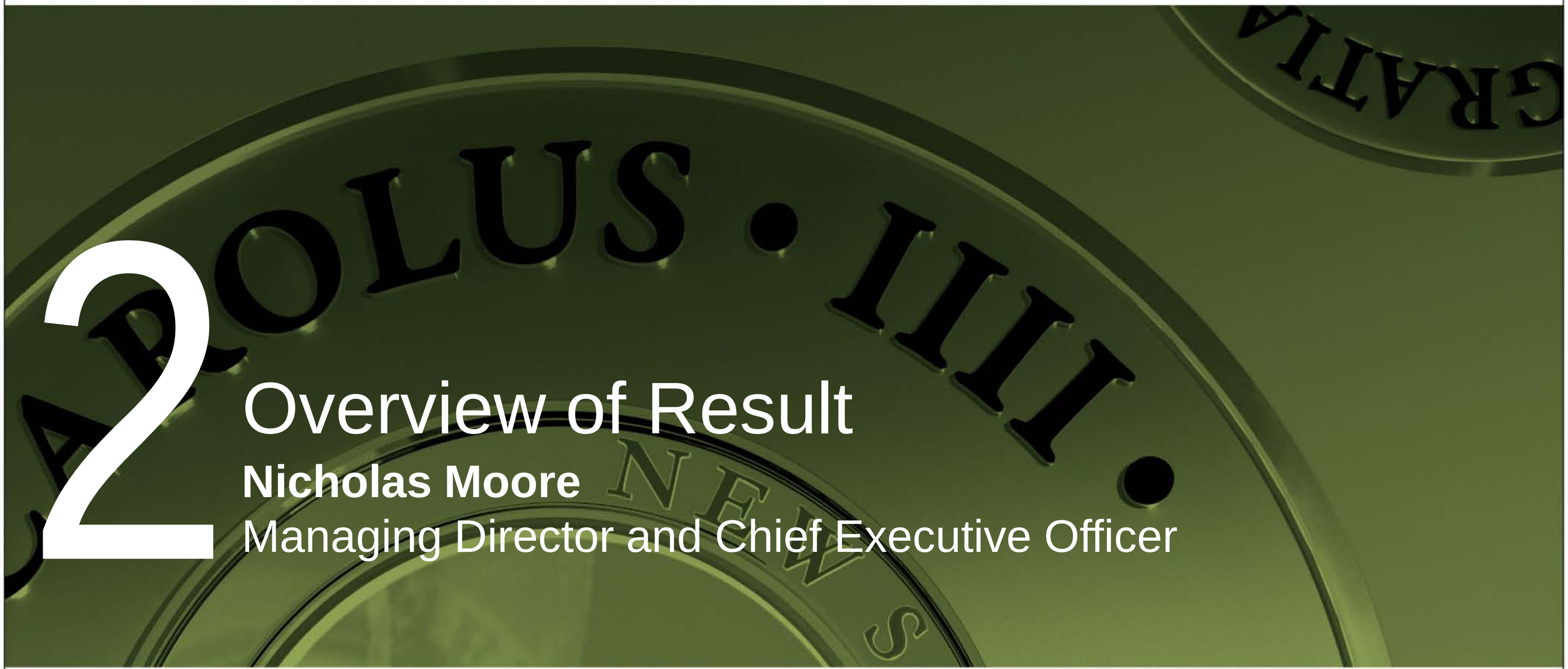
1. Introduction – Stuart Green
2. Overview of Result – Nicholas Moore
3. Result Analysis and Financial Management – Patrick Upfold
4. Outlook – Nicholas Moore
5. Appendices



# 1 Introduction

**Stuart Green**
Investor Relations

**Macquarie Group Limited**
Result Announcement for the year ended 31 March 2012
27 April 2012 – Presentation to Investors and Analysts



# 2 Overview of Result

**Nicholas Moore**

Managing Director and Chief Executive Officer

**Macquarie Group Limited**

Result Announcement for the year ended 31 March 2012

27 April 2012 – Presentation to Investors and Analysts

# About Macquarie

## Building for the medium term

| | |
|---|---|
| Macquarie Funds | ▪ Top 50 global asset manager with $A324b[1] of assets under management<br>▪ Provides clients with access to a diverse range of capabilities and products, including infrastructure and real asset management, securities investment management and structured access to funds, equity-based products and alternative assets |
| Corporate and Asset Finance | ▪ Provider of specialist finance and asset management solutions, with $A20.6b[1] of loans and assets under finance<br>▪ Expertise in corporate debt and asset finance including aircraft, motor vehicles, technology, healthcare, manufacturing, industrial, energy, rail and mining equipment<br>▪ One of the largest providers of motor vehicle finance in Australia |
| Banking and Financial Services | ▪ No.1 full-service Australian retail stockbroker in terms of volume and market share<br>▪ Leading provider of retail advisory services and products<br>▪ Full-service retail broking, deposit-taking and services to intermediaries in Australia<br>▪ Specialist Relationship Banking provider to Small to Medium Enterprises (SME) |
| Macquarie Securities | ▪ Global institutional securities house with strong Asia-Pacific foundations covering sales, research, ECM, execution and derivatives activities<br>▪ Full-service cash equities in Australia, Asia, South Africa and Canada with specialised offerings in US and Europe. Specialised derivatives offerings in key locations globally<br>▪ Key specialities: infrastructure and utilities, TMET, resources (mining and energy), industrials and financial institutions |
| Macquarie Capital | ▪ Global corporate finance capability, including M&A, capital markets and principal investments<br>▪ Key specialities in six industry groups: Infrastructure, Utilities and Renewables; Resources (mining and energy); Real Estate; Telecommunications, Media, Entertainment and Technology (TMET); Industrials; Financial Institutions |
| Fixed Income, Currencies and Commodities | ▪ Global fixed income, currencies and commodities provider of finance, risk solutions and market access to producers/consumers and financial institutions/investors<br>▪ Growing presence in physical commodities (natural gas, LNG, power, oil, coal, base metals, iron ore, sugar and freight)<br>▪ Predominant in US and Australia, niche offering in Canada and Latin America, growing presence in Asia and EMEA<br>▪ Specialities: commodities, Asian and emerging markets, high yield and distressed debt |

1. At 31 Mar 12.

# 2H12 result

- Net profit of $A425m, up 39% on 1H12 and down 23% on pcp
- Operating income $A3.7b, up 15% on 1H12 and down 8% on pcp
- As foreshadowed:
  - Macquarie's annuity-style businesses have delivered a combined net profit contribution in line with pcp, albeit down 21% on 1H12 primarily due to impact of the timing of performance fees
  - FICC saw significantly improved conditions delivering a 2H12 result strongly up on 1H12 and up 31% on pcp
  - Macquarie Securities (MSG) and Macquarie Capital were impacted by subdued activity levels across ECM and M&A. MSG was further impacted by low client volumes and the costs of exiting certain derivatives businesses
  - 2H12 included the receipt of $A295m from Sydney Airport[1] which was recorded as income
- Operating expenses $A3.1b, up 9% on 1H12 and down 3% on pcp, due to the costs of exiting certain derivatives businesses, redundancies and increased profit share for market facing businesses
- Increase in the half year effective tax rate to 29.8% from 26.0% at 1H12 and 26.3% in pcp
- EPS $A1.24, up 43% on 1H12 and down 24% on pcp
- Return on equity 7.8%, up from 5.7% in 1H12 and down from 10.2% in pcp
- 2H12 dividend of $A0.75 (unfranked), up on 1H12 dividend of $A0.65 (unfranked) and down on 2H11 dividend of $A1.00 (unfranked)

1. Formerly MAp Group.

# FY12 result

- Net profit of $A730m, down $A226m (or 24%) on FY11
- Operating income $A7.0b, down $A702m (or 9%) on FY11
  - Capital market facing businesses down $A747m (or 20%) on FY11
- As foreshadowed;
  - Macquarie Funds, Corporate and Asset Finance and Banking and Financial Services have delivered a combined net profit contribution for FY12 up $A287m (or 22%) on FY11
  - Despite a difficult 1H12, a significant improvement in FICC saw it deliver a FY12 net profit contribution of $A539m down only $A36m (or 6%) on FY11
  - Macquarie Securities delivered a loss of $A194m for FY12 reflecting difficult market conditions and the costs of exiting certain derivative businesses
  - Macquarie Capital has delivered a FY12 net profit contribution of $A85m down $A129m (or 60%) on FY11 due to low levels of client activity across M&A and ECM
- Operating expenses $A5.9b, down $A480m (or 8%) on FY11
  - Employment expenses[1] $A3.6b, down $A330m (or 8%) on FY11
- Increase in the full year effective tax rate to 28.2% from 22.8% in FY11
- EPS $A2.10, down 26% on FY11
- Return on equity 6.8%, down from 8.8% for FY11
- Full year dividend of $A1.40 (unfranked), down on FY11 dividend of $A1.86 (unfranked)

1. Includes on-costs, staff procurement and staff training.

MACQUARIE

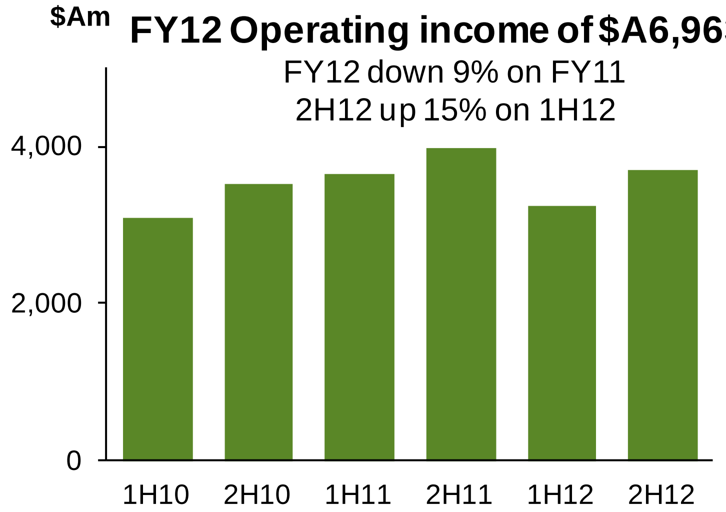
# FY12 result

| | 2H12 $Am | 1H12 $Am | Mar 12 $Am | Mar 11 $Am |
|---|---|---|---|---|
| Net operating income | 3,720 | 3,243 | 6,963 | 7,665 |
| Total operating expenses | (3,086) | (2,828) | (5,914) | (6,394) |
| **Operating profit before income tax** | **634** | **415** | **1,049** | **1,271** |
| Tax expense | (180) | (107) | (287) | (282) |
| Profit attributable to non-controlling interests | (29) | (3) | (32) | (33) |
| **Profit attributable to MGL shareholders** | **425** | **305** | **730** | **956** |

# Financial performance

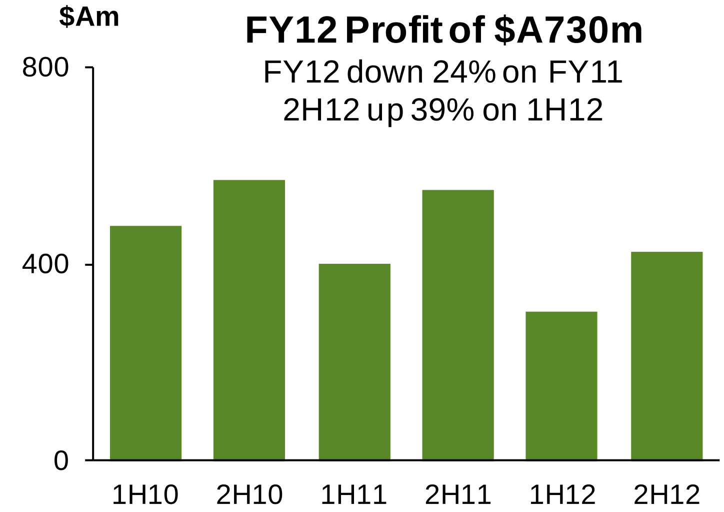
**FY12 Operating income of $A6,963m**

FY12 down 9% on FY11
2H12 up 15% on 1H12



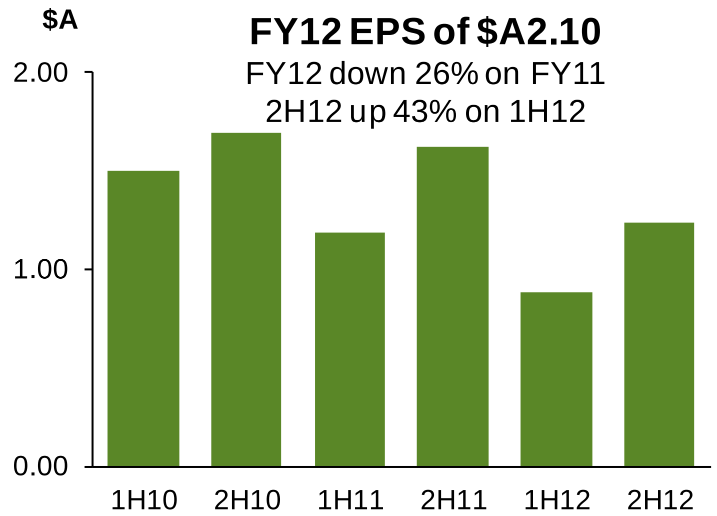

**FY12 Profit of $A730m**

FY12 down 24% on FY11
2H12 up 39% on 1H12



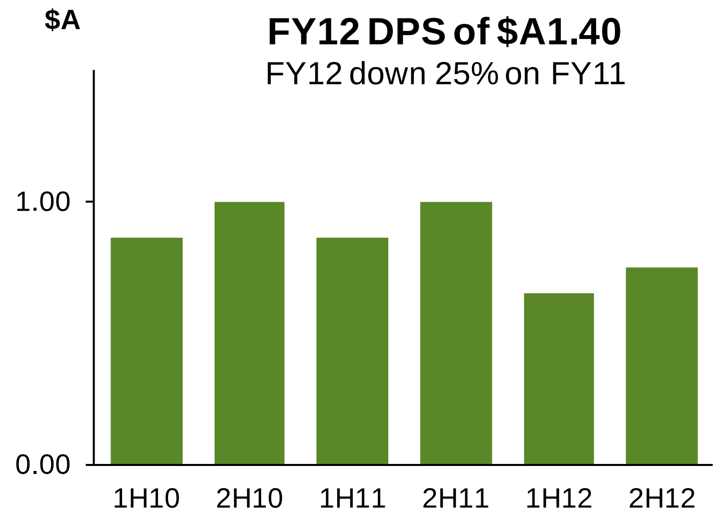

**FY12 EPS of $A2.10**

FY12 down 26% on FY11
2H12 up 43% on 1H12



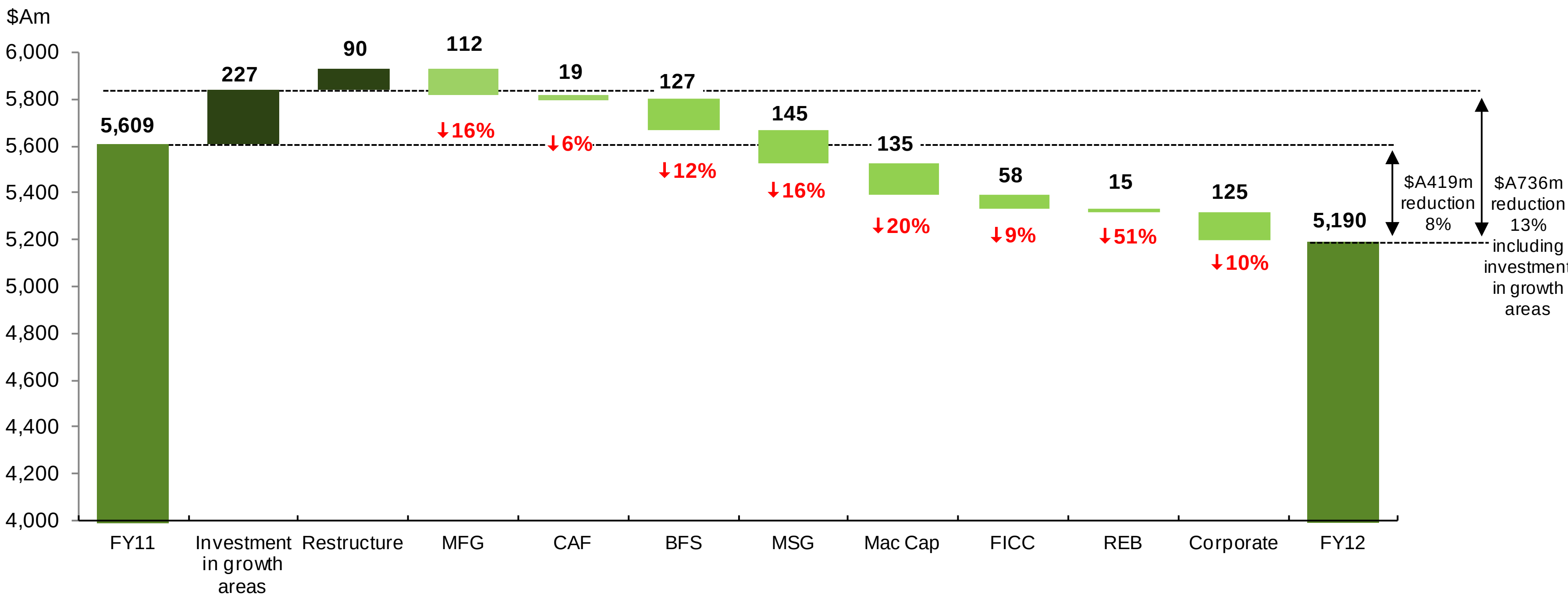

**FY12 DPS of $A1.40**

FY12 down 25% on FY11



# Cost Performance

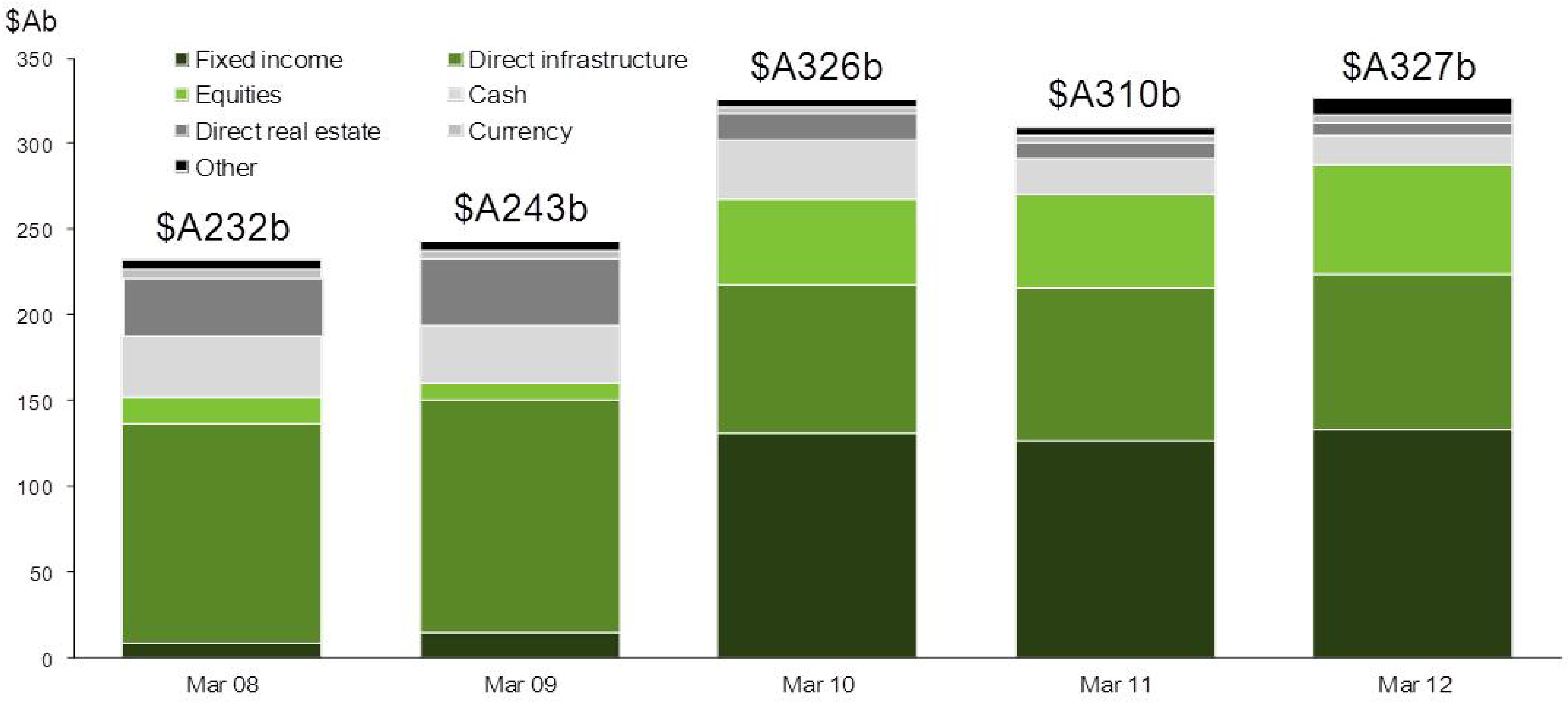
- As foreshadowed, FY12 operating costs (excl. brokerage and commissions expense) $A5.2b; down $A0.4b on FY11
  - Achieved across the group through centralising support functions, and reducing front office costs including the reduction of business scope in some cases
  - Savings will enable investment in growth areas which include key markets, new products, processes & technologies
  - As foreshadowed, Macquarie Securities and Macquarie Capital expect to reduce FY11 run rate costs by 20-25% by end FY13




Percentage reduction for each of the Operating Segments is based off the FY11 cost base. Restructuring includes incremental business rationalisation and restructuring costs.

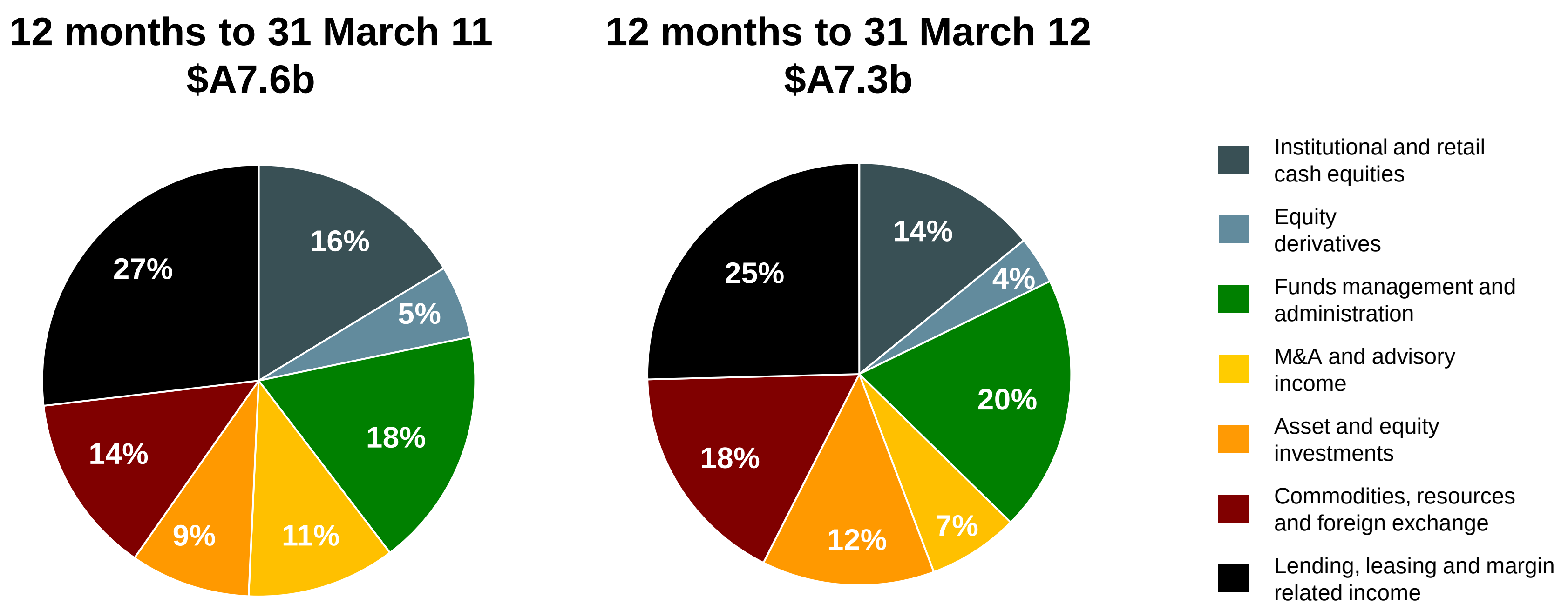
# Assets under management of $A327b

- Increase in AUM resulting from:
  - Net inflows, investments in infrastructure and real assets and valuation changes
  - Partially offset by asset disposals and FX movements of the Euro against AUD



# Diversified income
## Operating income by source

### Operating income before writedowns, impairments, equity accounted gains/(losses) and one-off items[1]




1. FY12: No adjustment for one-off items. FY11: One-off items related to gains from listed fund initiatives (Sydney Airport fair value adjustment of investment ($A95m) and sale of MPT management rights ($A14m)).

# Diversified by region

## International income[1] 60% of total

### Total staff 14,202; International staff 53% of total

**EUROPE, MIDDLE EAST & AFRICA[2]**

Income: $A1,229m (18% of total)
Staff: 1,370

**ASIA**

Income: $A743m (11% of total)
Staff: 2,795

**AMERICAS**

Income: $A2,044m (31% of total)
Staff: 3,419

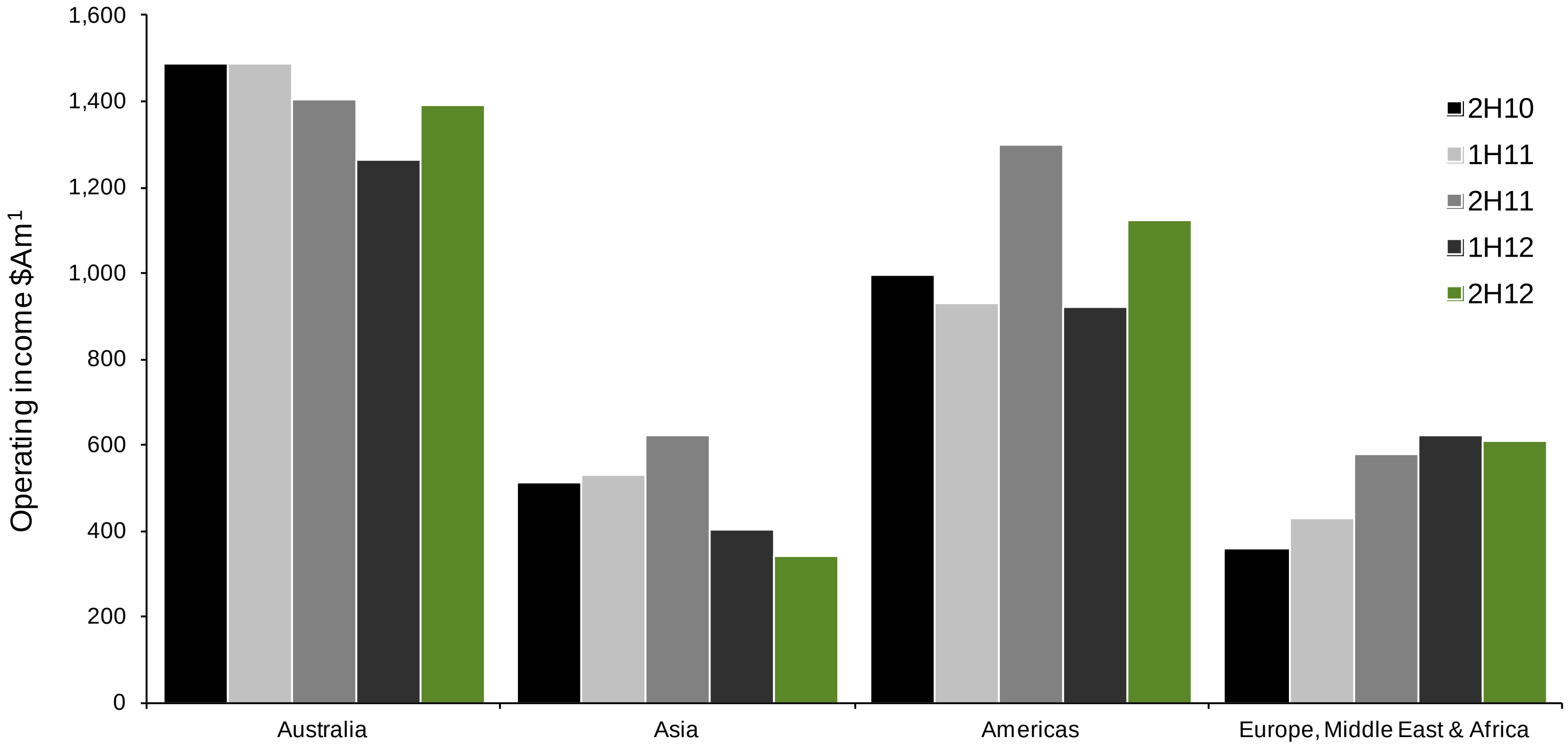

**AUSTRALIA[3]**

Income: $A2,654m (40% of total)
Staff: 6,618

1. Operating income for year to 31 Mar 12. Operating income in each region excludes earnings from the Corporate segment of $A293m. 2. Excludes staff in Macquarie First South joint venture and staff seconded to Macquarie Renaissance joint venture (Moscow). 3. Includes New Zealand.

# Diversified income
## Operating income by region

- 60% of operating income in FY12 generated offshore
  - FX translation estimated to have a negative impact of approx. 5% due to the strengthening of AUD by an average of approx. 10% against major currencies




1. Operating income excludes earnings from the Corporate segment of $A293m.

# Macquarie Funds

## Operating income of $A1,366m, up 6% on prior year
## Net profit contribution of $A655m, up 36% on prior year

### AUM of $A324b up 6% on prior year

#### Macquarie Infrastructure and Real Assets

**Activity**

- Ranked as the largest manager of infrastructure assets globally[1] and ranked first in the Infrastructure Investor magazine listing of the largest infrastructure investors globally[2]
- Raised over $A2.2b in new equity commitments and completed $A17.8b in asset and fund level re-financings
- Focused on strategically investing capital across the globe, with over $A1.3b of equity invested
- Macquarie Essential Assets Partnership (MEAP) divested its final two assets, successfully concluding the term of the fund and realising a fund internal rate of return of 17.8 per cent[3]
- Performance fees of $A100m earned predominantly as a result of MEAP, Macquarie Atlas Roads and Thames Water outperforming their respective benchmarks

#### Macquarie Investment Management

**Activity**

- $A6.4b of net inflows across a range of products and regions
- Awarded ten Lipper Fund Awards in 2012 across the US, Europe and Asia[4]
- Delaware Investments was ranked first in the “Barron’s Fund Families Report” for 2011
- Strong performance across a range of asset classes relative to industry benchmarks, with top quartile performance over three years for:
  - 15 Delaware Investments funds in their respective Lipper categories in the US
  - Macquarie High Conviction Fund, Macquarie Australian Small Companies Fund and Macquarie Core Australian Fixed Interest Fund in Australia
- MFG’s flagship Australian fixed income retail strategies, Macquarie Diversified Fixed Interest and Macquarie Income Opportunities, each reached $A1.0b in AUM
- Continued to build out its global distribution platform, with senior hires in Australia, the US, Asia and Europe
- Launched several new funds including an international bond mutual fund, a short term currency alpha fund and an absolute return asset allocation fund

#### Macquarie Specialised Investment Solutions

**Activity**

- Raised over $A300m for Australian retail specialised products
- Launched a range of new retail products including:
  - Macquarie Step
  - A series of European income opportunity funds
- Significant fee and margin income associated with the provision of financing facilities to external funds and their investors
  - Strong demand in 1H12 in Europe and US for short term financing facilities

1. Towers Watson Global Alternatives Survey, Jun 11. For pension assets under management. 2. Jun 11. 3. Net of fees and including fund level retained cash as at 20 Sep 11. 4. Including Best Mixed Asset Small Company for Delaware Investments and Best Overall Small Company for Macquarie Investment Management Austria.

# Corporate and Asset Finance

Operating income of $A1,077m, up 23% on prior year
Net profit contribution of $A698m, up 22% on prior year

## Asset and loan portfolio of $A20.6b up 5% on prior year

### Corporate Lending

- Funded loan portfolio of $A8.0b in line with prior year
- Continued deleveraging across the financial system created opportunities to add to the portfolio via the secondary market
- Completed selective new financings during the year
- Funded, originated or acquired $A2.3b of corporate debt in FY12
- Loan portfolio continues to be refinanced by borrowers and recycled into new opportunities
- Continued activity in commercial real estate lending, completing several opportunistic acquisitions and client financing transactions

### Asset Finance

- Motor vehicle leasing portfolio of $A6.2b, up 3% on 1H12 and up 5% on prior year. Total contracts in excess of 230,000
- Extending finance through the customer value chain – from manufacturer to end user:
  - Motor vehicle manufacturers and dealers in Australia
  - Technology distributors globally
- Expanded white label programs in Australia, Asia, Europe and US through manufacturers and vendors

- Aircraft leasing portfolio of $A3.4b, down 8% on 1H12 and down 7% on prior year
- Continue to see trading opportunities in the aircraft sector
- Sale of leased aircraft engine assets largely complete
- Acquired portfolio of North American rail freight cars, bringing Macquarie Rail assets to a total of approx. $US0.5b
- Continued growth of metering portfolio in the UK with acquisition of OnStream (Utility Metering Services) in Oct 11
  - Acquisition brings total portfolio to 5.7 million gas and electric meters in the UK
  - Integration of OnStream is progressing in line with expectations, with completion of integration expected by Apr 12

### Funding activity

- Strong securitisation activity continues with $A2.6b of motor vehicle leases and loans secured during FY12
- Continued to access global securitisation markets
  - Approx. $A13.5b of external funding since programme's inception in 2007

Comparatives have been restated for the transfer of Macquarie AirFinance (MAF) from Macquarie Capital during 1H12.

# Banking and Financial Services

## Operating income of $A1,413m, down 6% on prior year
## Net profit contribution of $A265m, down 4% on prior year

### Global client numbers 1.14 million, up 6% on prior year

### Private Wealth/Direct

**Activity**

- Macquarie Private Wealth (MPW) remains No.1 ranked full-service retail stockbroker in Australia in terms of volume and market share[1]
- MPW ASX retail turnover down 19% on prior year and down 2% on prior period
- Macquarie completed the transition of MPW Asia to Julius Baer (a Swiss Private Banking company) as part of a strategic collaboration agreement
- Australian/NZ private wealth and direct client numbers at 321,000 down 11% on prior year due to system rationalisation and closure of dormant accounts
- Canadian client numbers at 142,371, up 13% on prior year and total assets under management/administration $C12.2b, up 25% on prior year
- Three Macquarie Online Trading Platforms consolidated into one – Macquarie Prime – for a more holistic offering
- Macquarie Private Bank awarded Outstanding Institution ($10-$30m+)[2]

### Intermediary

**Activity**

- Intermediary client numbers at 697,263 up 16% on prior year
- Macquarie Wrap commenced white label administration services for Perpetual Limited's $A8.7b platform business with transition on target for completion
- Macquarie Wrap ranked top Australian platform in the prestigious Wealth Insights 2011 Platforms Service Level Report[3]
- Macquarie Wrap funds under administration at $A22.0b down 3% on prior year
- Macquarie Life Active awarded the Canstar CANNEX Innovation Excellence Award for Financial Services and a five star rating in Beaton Benchmarks - Life Insurance Intermediaries Study for the 4th consecutive year
- Australian mortgage portfolio $A10.8b down 7% on prior year, with mortgage origination expected to result in net monthly portfolio growth in FY13
- Mortgages awarded five star CANNEX ratings for seven of its premium products

### Deposits

- Total retail deposits of $A29.0b up 9% on prior year
- CMA balance of $A16.1b up 11% on prior year

### Relationship Banking

**Activity**

- Average deposit volumes up 9% on prior year
- DEFT transactions up 27% by volume and up 24% by value on prior year
- Total clients up 10% on prior year
  - New SME businesses up 44% on prior year

### Investment Funds

- Macquarie Pastoral Fund ends acquisition phase with purchase of Cutbush Property in northern NSW
- Macquarie Professional Series named Money Management Fund Manager of the Year 2011 for Independent Franchise Partners' Global Equities Fund and Winton Capital Management Alternative Investments fund[4]
- Total funds under management, advice or administration $A117.9b up 4% on prior period and down 2% on prior year

1. IRESS: consideration traded and volume 31 Mar 12. 2. Australian Private Banking Awards 2010-2011. 3. Wealth Insights 2011 Platforms Service Level Report. 4. Money Management Fund Manager of the Year Awards 2011.

# Macquarie Securities

## Operating income of $A893m, down 33% on prior year
## Net loss of $A194m down from a profit of $A184m in prior year

| | Market Conditions | Australia | Asia | North America | EMEA |
|---|---|---|---|---|---|
| | | Activity | Activity | Activity | Activity |
| **Cash** | ▪ Significantly lower client volumes in cash equities, particularly in the third quarter<br>– Australian market average daily turnover volumes down 8% on prior year<br>– Average daily turnover volumes down across key Asian markets with HK down 9%, Japan down 18%, Singapore down 14%, and Taiwan down 19% on prior year<br>– STOXX 600 turnover down 9% on prior year[1]<br>▪ Weak investor confidence primarily due to European sovereign debt concerns | ▪ Market share of 8.6% down from 9.3% prior year[2]<br>▪ No.2 overall research and sales strength for Australian institutional investors[3], No.3 for Asian institutional investors[3] and No.1 for US/European institutional investors into Australian equities[4]<br>▪ Over 290 stocks under coverage | ▪ Market share increased in Thailand and Singapore on prior year[2]<br>▪ No.10 overall research and sales strength for Asian institutional investors[7], No.4 for European institutional investors[8] and No.9 for US institutional investors into Asian equities[8]<br>▪ Over 890 stocks under coverage | ▪ US secondary market cash commissions down 11% on prior year<br>▪ Canadian market share of 1.4% down from 2.0% in prior year[2]<br>▪ Over 710 stocks under coverage | ▪ European market share slightly up on prior year<br>▪ European secondary market cash commissions down 10% on prior year<br>▪ South African market share of 2.8% down from 3.9% in prior year[2]<br>▪ Over 350 stocks under coverage |
| **ECM** | ▪ Challenging macroeconomic environment, volatile markets and weak investor sentiment led to significantly lower levels of primary issuance activity<br>▪ Lower activity levels make comparisons against pcp and prior period difficult<br>▪ Global ECM markets, particularly in Asia, were extremely subdued in 2H12, well down on pcp and prior period<br>▪ Total market capital raised down across all regions:<br>– Australia $A25b down 34% on prior year<br>– Asia $US191b down 45% on prior year<br>– US $US206b down 45% on prior year<br>– Canada $C41b down 41% on prior year<br>– Europe €124b down 17% on prior year | ▪ Market share of 28.0% up from 16.8% in prior year[5]<br>▪ No.2 for Australian equity & equity related issuance, up from No.7 in prior year[6]<br>▪ Increased hybrid issuance with over $4.5b raised (including listed debt) | ▪ Market share of 1.3%, down from 5.7% in prior year[5] | ▪ US market share of 4.4% up from 0.5% in prior year[5]<br>▪ Canadian market share of 1.8% down from 3.5% in prior year[5] | ▪ European market share of 0.1%, down from 0.4% prior year[5] |
| **Derivatives** | ▪ Reduced institutional and retail client demand for derivatives products, particularly in Europe with volatile and thin markets<br>▪ Significant period of market volatility creating challenging trading conditions for hedging issued products | ▪ Restructure of activities reflecting reduced retail client demand<br>▪ No.3 market share for FY12 in listed warrants unchanged on prior period[2]<br>▪ Market share of 22% down from 31% in prior year due to cessation of the issuance of new Instalments and Self Funding Instalment Warrants[2]<br>▪ Launched MINIs capturing 18% market share[2] | ▪ No.1 market share in listed warrants in Singapore[2] and Korea[9], unchanged on prior year. No.5 in HK, down from No.3 in prior year[2]<br>▪ No.1 ranked broker by market share in Indian GDRs[10]<br>▪ Exited Asian exotics business | ▪ Exited institutional derivatives business | ▪ Ceased issuance of retail structured products in Europe, and considering closing Structured Products and Exotics in Germany |

1. STOXX Europe 600 (Price) Index. 2. Local exchanges. 3. Peter Lee Associates Survey of Asian/Australian Institutional Investors – Australian Equities. 4. Greenwich Survey of US Institutional Investors – Australian Equities and Greenwich Survey of European Institutional Investors – Australian Equities. 5. Dealogic. 6. Thompson Reuters 2011 Full Year League Tables. 7. Greenwich Survey of Asian Institutional Investors – Asian Equities. 8. Greenwich Survey of US Institutional Investors – Asian Equities and Greenwich Survey of European Institutional Investors – Asian Equities. 9. Market share by NOIP 'Net over intrinsic premium'. 10. Bloomberg (using rank function for 2011 traded volumes excluding trading firms).

# Macquarie Capital

## Operating income of $A659m, down 28% on prior year
## Net profit contribution of $A85m, down 60% on prior year

**435 transactions valued at $A97b[1] during the year (547 transactions valued at $A159b in prior year)**
**Advisory fee income down 21% on prior year, ECM fee income down 54% on prior year, DCM fee income up 42% on prior year**

### Market Conditions

- Market activity affected by continuing reduced market confidence, low volumes of ECM activity, particularly in HK and Australia, and ongoing concerns regarding the European debt crisis
- Global ECM activity down 28% on prior year, 2H12 down 55% on pcp and down 35% on prior period[2]
- Global DCM activity up 6% on prior year, 2H12 down 6% on pcp and down 3% on prior period[2]
- Global M&A activity up 8% on prior year, 2H12 down 22% on pcp and down 31% on prior period[2]

### Australia and NZ

**Activity**
- 90 deals valued at $A53b, down 44% on prior year[1]
- 64 deals valued at $A39b in 2H12, down 17%[3] on pcp and up 194%[3] on prior period

**Awards / Rankings**
- No.1 in Australian announced and completed M&A deals[4] No.2 in ANZ Equity, Equity-Linked and Preferred deals[5]
- Best Domestic Equity House (Australia)[6]; M&A Deal of the Year (AMP/AXA)[7]; PPP Deal of the Year (Royal Adelaide Hospital)[8]; Equity Deal of the Year (Origin Energy PAITREO)[9]

**Notable deals**
- Adviser to Telstra Corporation on its $A11b tri-partite cooperation agreement with the Commonwealth Government and National Broadband Network Company (NBN Co)
- Adviser to Rio Tinto on its $A4.0b acquisition of the ASX listed coking coal developer Riversdale Mining
- Other deals include: Rio/Mitsubishi (M&A); CITIC Australia (M&A); Transpacific (DCM/ECM); ConnectEast (M&A); Catalpa Resources (M&A); Perth Airport (DCM)

### Asia

**Activity**
- 50 deals valued at $A11b, down 49% on prior year[1]
- 34 deals valued at $A9b in 2H12, down 6%[3] on pcp and up 413%[3] on prior period

**Awards / Rankings**
- FIG Capital Raising of the Year (ABC IPO)[10]; Equities Deal of the Year (Sino Ocean Land)[10]; Best Philippines Deal (Casop)[11]; Best Singapore Deal (Beijing Enterprise Water)[12]

**Notable deals**
- Adviser to SK Telecom, the leading telecommunication service provider in South Korea, on its acquisition of a 21% controlling interest, in Hynix Semiconductor for $US3.0b
- Adviser to a consortium led by Daewoo Engineering & Construction Co., Ltd. for its KRW 1.7 tr ($US1.5b) greenfield financing of the Guri~Pocheon Expressway Project
- Other deals include: Oji Paper (M&A); United Energy Group (M&A); First Commercial Joint Stock Bank (M&A); Harum Energy (ECM); Huaneng Renewables (ECM); Petrovis Resources (ECM)

### EMEA

**Activity**
- 37 deals valued at $A8b, down 52% on prior year[1]
- 28 deals valued at $A5b in 2H12, down 42%[3] on pcp and up 96%[3] on prior period

**Awards / Rankings**
- Middle East Infrastructure Deal of the Year (Muharraq STP)[8]

**Notable deals**
- Adviser to HgCapital on the disposal of SLV Group, one of the fastest growing providers of innovative lighting products and systems in Europe, to Cinven; one of the largest private equity transactions in Germany in 2011
- Other deals include: Muharraq Wastewater Treatment Plant and Sewage Conveyance (PPP); Blue Transmission (M&A); Quinn Group (M&A); Thames Water (DCM); Global Via Infraestructuras (M&A, ECM); Infracapital Partners LP (M&A); APG Algemene Pensioen Groep N.V. and Goodman Group led consortium (M&A); RAK Petroleum (M&A); Gold One International (M&A)

### Americas

**Activity**
- 258 deals valued at $A25b, down 8% on prior year[1]
- 182 deals valued at $A18b in 2H12, up 31%[3] on pcp and up 150%[3] on prior period

**Awards / Rankings**
- Infrastructure & Project Financing Deal of the Year (Denver FasTracks)[10]; M&A Deal of the Year (Cumulus)[13]; Americas Deal of the Year (Puerto Rico Toll Roads)[8]

**Notable deals**
- Adviser on the $US1b financing of the Mareña Renovables project, one of the largest wind farm financings in the world to date. The 396MW wind farm, to be built in the State of Oaxaca in the southwest of Mexico, will be the largest wind farm in Latin America
- Other deals include: Cumulus Media (M&A, DCM); Puerto Rico PPP Authority and Puerto Rico Highways and Transportation Authority (Advisory, Project Finance); International Lease Finance Corporation (DCM); B2Gold (M&A); Encompass Digital Media (M&A, DCM)

1. Total includes cross-border transactions. 2. Based on deal value, Macquarie regions and Macquarie financial year period. 3. Movement by deal value. 4 Dealogic CY11, by volume. 5. Bloomberg CY11 by value. 6. Asiamoney Awards. 7. CFO Awards. 8. PFI Awards. 9. Insto Awards. 10. FT Banker Awards. 11. FinanceAsia Awards. 12. Alpha Southeast Asia Magazine Awards. 13. Deal Magazine Awards.

# Fixed Income, Currencies and Commodities

Operating income of $A1,364m, down 4% on prior year
Net profit contribution of $A539m, down 6% on prior year

| Commodity Markets (Physical & Financial) 69% of operating income | | | Financial Markets (Primary & Secondary) 25% of operating income | | | 6% of operating income |
|---|---|---|---|---|---|---|
| Metals & Energy Capital | Metals & Agriculture Sales and Trading[1] | Energy Markets | Fixed Income & Currencies | Credit Trading | Asian Markets | Futures |
| **Activity**<br>▪ Improved sentiment in resource equity markets resulting in asset realisations<br>– Sale of Net Profits Interest in a substantial North American oil asset<br>– Initiated and realised a number of material principal investments during the year. Larger realisations include Discovery Metals and Beadell Resources<br>▪ Currently holds146 equity investments with total market value of $A586m<br>▪ Increased client term hedging activity on the back of reduced volatility<br>▪ Currently have committed financing facilities of $A1.9b across 61 counterparties | **Activity**<br>▪ Lack of trending markets and high correlation to macro influences led to limited trading opportunities<br>▪ Customer flow solid but down on prior year. For most clients hedging has been difficult and risk taking constrained, resulting in reduced volumes during the period<br>▪ Physical metals business growing well | **Activity**<br>▪ Overall customer activity continuing to grow<br>▪ Stronger client flows in US gas and power and the European utilities business during Northern Hemisphere winter resulting in increased trading opportunities<br>▪ Maintained ranking as No.4 US physical gas marketer in North America[2]<br>▪ IPO of Energy Assets Limited on the London Stock Exchange | **Activity**<br>▪ Some signs of improvement in client activity<br>▪ Marginally improved liquidity<br>▪ High Australian dollar continues to adversely impact level of term hedging activity<br>▪ Growing and increasingly diversified client base in FX and rates, including an increasing presence in Japan<br>▪ Expansion of securitisation expertise into Europe, including acting as Sole Arranger and Joint Lead Manager for Paragon Mortgages securitisation of UK Buy-To-Let loans | **Activity**<br>▪ Markets mostly stronger in 2H12 than earlier in the year as the threat of a US default and European financial contagion receded<br>▪ Improved volumes as confidence returned to the market<br>▪ New issue debt markets were more active during 2H12 than 1H12<br>▪ US investment grade credit spreads tightened by 46.3% over prior period[3]<br>▪ US high yield bond prices up 7.7% on prior period[4] | **Activity**<br>▪ Continued challenging global market conditions impacting market share traction<br>▪ Stronger FX volumes due to slightly improved volatility conditions<br>▪ Rates and credit markets continue to be challenging | **Activity**<br>▪ Volatile client volumes in line with fluctuating market confidence<br>▪ New client accounts following MF Global bankruptcy as clients increased focus on the credit worthiness of their clearing broker<br>▪ Addition of a listed derivatives sales team in Montreal |

1. Merger of sales and trading activities in metals and agricultural commodities into one Division during 2H12. 2. Platts (Dec 11). 3. Bloomberg CDX IG Index (30 Sep 11 to 31 Mar 12). 4. Bloomberg CDX HY Index (30 Sep 11 to 31 Mar 12).

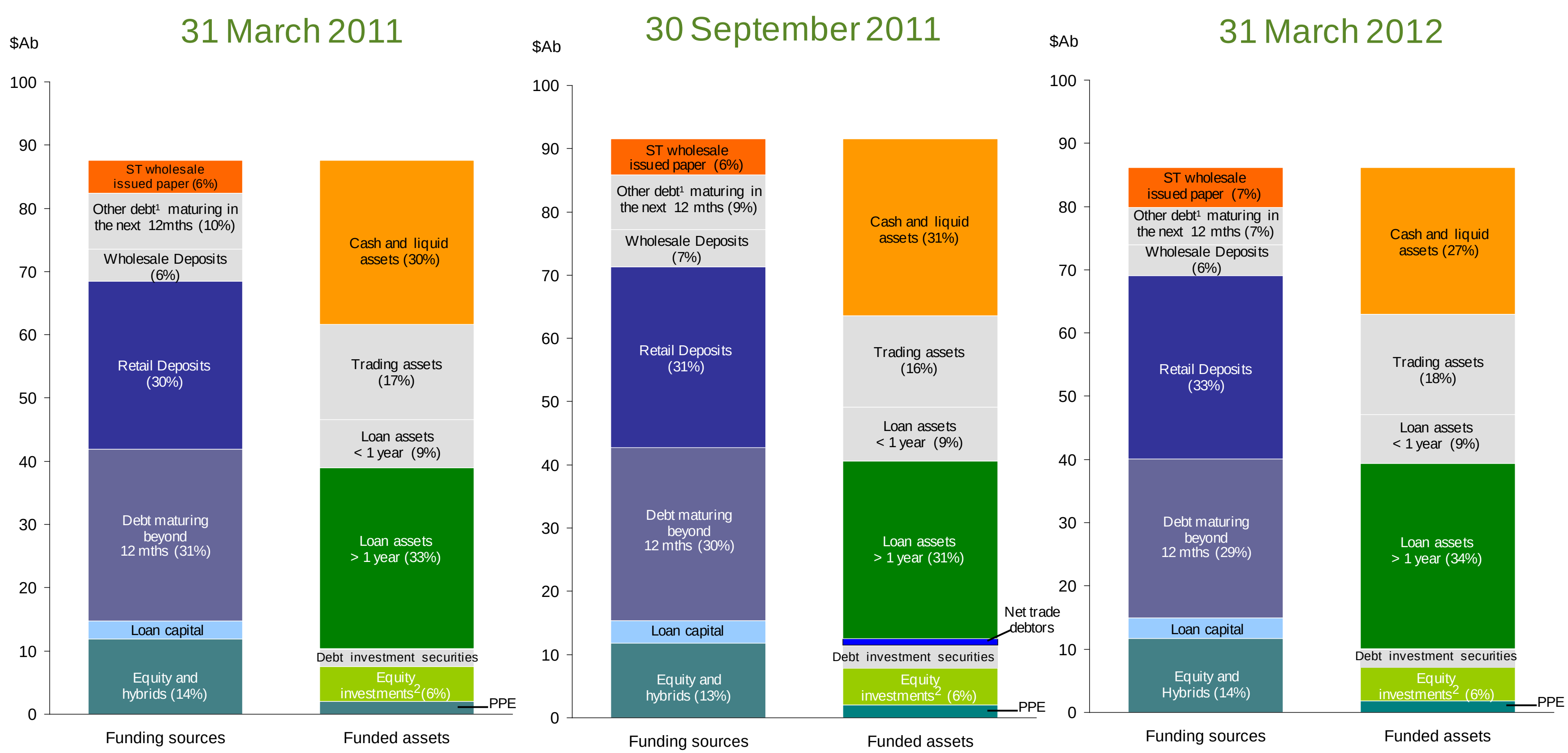
# Strong funding and balance sheet position

- Diverse and stable funding base, minimal reliance on short term wholesale funding markets
- Total deposits[1] increased to $A33.9b at Mar 12 from $A31.6b at Mar 11
  - Represents 39% of the Group's total funding sources
  - Group loan assets represent 85% of total deposits[2]
  - Retail deposits increased to $A29.0b at Mar 12 from $A26.6b at Mar 11, primarily driven by an increase in the CMA
- $A8.2b of new term funding raised since Mar 11[3], including
  - MGL's $A2.4b refinance of Senior Credit Facility
  - MBL's $US700m inaugural non-government guaranteed senior unsecured debt issuance
  - MBL's $US250m Exchangeable Capital Securities (ECS) issuance

1. These balances represent total deposits per the funded balance sheet, which differs from total deposits per the statutory balance sheet ($37.2b at 31 Mar 12). The funded balance sheet excludes any deposits which do not represent a funding source for the Group. 2. Loan assets exclude Canadian mortgages which are funded via a government sponsored securitisation program. 3. Includes $A0.2b term secured finance in Apr 12.

# Funded balance sheet remains strong

## Macquarie Group Limited

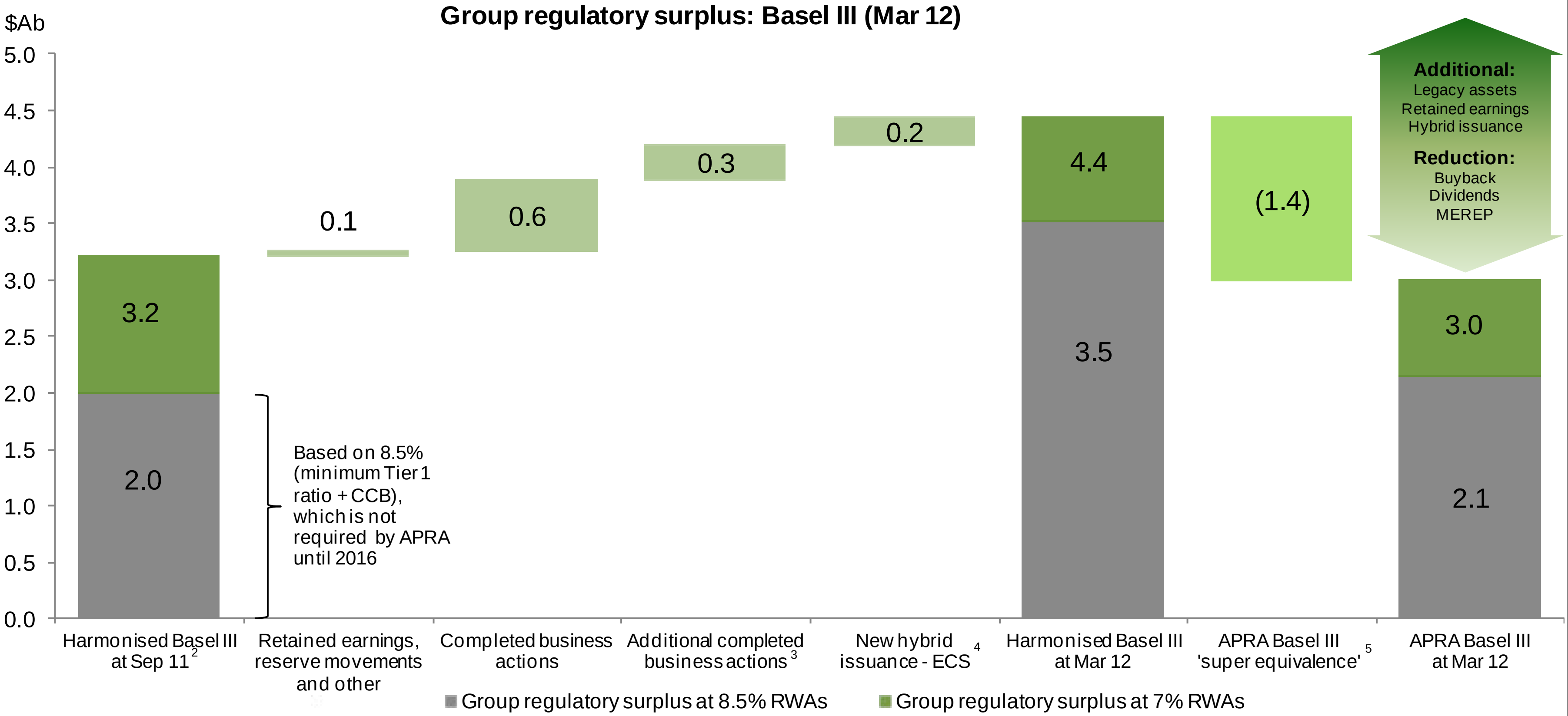



Note: These charts represent Macquarie Group Limited's funded balance sheets at the respective dates noted above. For details regarding reconciliation of the funded balance sheet to the Group's statutory balance sheet, refer to slide 53

1. Includes Structured Notes, Secured Funding, Bonds, Other Bank Loans maturing within the next 12 months and Net Trade Creditors. 2. This represents the Group's co-investment in Macquarie managed funds and equity investments.

# Basel III surplus increased as a result of business actions and MIS eligibility

- Harmonised Basel III Group surplus of $A3.5b at Mar 12[1]




1. Calculated at 8.5% RWAs which includes the 2.5% capital conservation buffer (CCB) not required to be met by APRA until 2016 and by BIS until 2019. 2. 'Harmonised' Basel III estimates assume full alignment with BIS in areas where APRA differs from the BIS. 3. Capital initiatives completed in addition to those shown in the Feb 12 Operational Briefing. 4. Issuance of $US250m hybrid, Exchangeable Capital Securities (ECS), as per MGL update provided on 22 Mar 12. 5. APRA Basel III 'super-equivalence' includes full CET1 deductions of equity investments ($A0.9b); deconsolidated subsidiaries ($A0.3b); and DTAs and other impacts ($A0.2b).

MACQUARIE

# Capital Management Strategy

- On 28 Oct 11, we noted we were likely to satisfy our Basel III capital requirements including the capital conservation buffer of 2.5%. Given our shares were trading at a material discount to NTA and book value, we stated that we would apply some of the capital generated beyond this for an on-market buyback of up to 10% of MGL ordinary shares
- The board has resolved:
  - To purchase shares on-market to satisfy the MEREP requirements of approx. $A275m. The buying period for the MEREP will commence on 7 May and is expected to be completed by mid June[1] (buying for the MEREP will be suspended during the DRP pricing period)
  - That shares for the 2H12 DRP are to be acquired on-market
  - To buy back up to $A500m of MGL ordinary shares, once acquisition of the DRP and MEREP shares has been completed, subject to market conditions and the Macquarie share price
- All these share acquisitions have received the appropriate regulatory approval
- Once the above capital management actions have been completed, and subject to market conditions and the Macquarie share price, it remains Macquarie's intention, subject to regulatory approval, to continue the buyback for a total of up to 10%[2] of MGL ordinary shares

1. Actual buying may be completed sooner or later. 2. Inclusive of the initial buyback.

# Dividends

- FY12 dividend set at $A1.40, ~66% payout ratio, down on FY11 dividend of $A1.86
  - 2H12 dividend $A0.75 up on 1H12 dividend of $A0.65
  - Dividend remains unfranked
- Dividend policy remains 50 – 60% annual payout ratio
- Dividend Reinvestment Plan shares for the 2H12 dividend to be sourced on-market

# 3 Result Analysis and Financial Management

**Patrick Upfold**
Chief Financial Officer

**Macquarie Group Limited**
Result Announcement for the year ended 31 March 2012
27 April 2012 – Presentation to Investors and Analysts

# Income Statement key drivers

| | 1H12 $Am | 2H12 $Am | Mar 12 $Am | Mar 11 $Am |
|---|---|---|---|---|
| Net interest income | 698 | 635 | 1,333 | 1,275 |
| Fee and commission income | 1,766 | 1,598 | 3,364 | 3,891 |
| Trading income | 374 | 661 | 1,035 | 1,389 |
| Equity accounted gains | 49 | 59 | 108 | 179 |
| Equity investment impairments | (32) | (178) | (210) | (123) |
| Loan impairments | (66) | (113) | (179) | (128) |
| Other income | 454 | 1,058 | 1,512 | 1,182 |
| **Total operating income** | **3,243** | **3,720** | **6,963** | **7,665** |
| Employment expenses | (1,652) | (1,908) | (3,560) | (3,890) |
| Brokerage & commissions | (386) | (338) | (724) | (785) |
| Other operating expenses | (790) | (840) | (1,630) | (1,719) |
| **Total operating expenses** | **(2,828)** | **(3,086)** | **(5,914)** | **(6,394)** |
| **Net profit before tax and minorities** | **415** | **634** | **1,049** | **1,271** |
| Income tax expense | (107) | (180) | (287) | (282) |
| Non-controlling interests | (3) | (29) | (32) | (33) |
| **Net profit after tax** | **305** | **425** | **730** | **956** |

- Net interest income up 5% on prior year to $A1,333m
  - Growth in lending and leasing volumes, improved margins
  - Partially offset by increased funding costs associated with a larger portfolio of operating leased assets and the stronger AUD
- Fee and commission income down 14% on prior year to $A3,364m
  - Impact of strong inflows in AUM partially offset by stronger AUD resulted in base fees being broadly flat on prior year
  - Performance fees well up on prior year
  - Weak market conditions impacting capital market facing businesses resulting in lower M&A, brokerage and commissions
- Trading income down 25% on prior year to $A1,035m largely in interest rate products and equities
  - Continued weak product demand for retail and structured products
  - Challenging credit and financial market conditions in 1H12 improved in 2H12
- Impairments up reflecting changes in some market conditions
- Other income up 28% on prior year to $A1,512m driven by special distribution received from Sydney Airport and increased operating lease income within CAF
- Operating expenses down 8% on prior year to $A5,914m
  - Cost initiatives continue to deliver savings
  - Partially offset by targeted investment in growth areas, consolidation of recent acquisitions, costs of scaling back or exiting certain businesses
- Effective tax rate of 28%, up from 23% in prior year

# Macquarie Funds
## Result

| | Mar 12 $Am | Mar 11 $Am |
|---|---|---|
| Base fees | 893 | 874 |
| Performance fees | 125 | 30 |
| Other fee and commission income | 196 | 257 |
| Equity investment and other income | 95 | 77 |
| Net interest income[1] | 76 | 1 |
| Share of net (losses)/gains of associates | (12) | 67 |
| Writedowns, impairment charges | (28) | (30) |
| Internal management revenue[2] | 21 | 17 |
| **Total operating income** | **1,366** | **1,293** |
| Total operating expenses | (714) | (817) |
| Non-controlling interests | 3 | 6 |
| **Net profit contribution[3]** | **655** | **482** |
| | | |
| AUM ($Ab) | 323.8 | 305.4 |
| EUM ($Ab) | 37.1 | 36.4 |
| Staff numbers | 1,368 | 1,457 |

- Base fees up on prior year due to increase in AUM/EUM
  - Net inflows into securities investment management business
  - Investments in infrastructure and real assets
  - Partially offset by stronger AUD and divestments
- Performance fees up significantly on prior year
  - MEAP, Macquarie Atlas Roads, Thames Water and Quant Hedge Funds outperformed their respective benchmarks
- Other fee and commission income down 24% on prior year
  - Scheduled maturities of Infrastructure Bonds
  - Impact of stronger AUD
- Net interest income up significantly driven by expansion of financing facilities to external funds and their investors in 1H12
- Impairments and revaluation losses within investments in associates adversely impacting equity accounted income
- Operating expenses down 13% on prior year
  - Headcount down 6%
  - Cost management initiatives
  - Delaware systems integration completed

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

# Corporate and Asset Finance

## Result

| | Mar 12 $Am | Mar 11 $Am |
|---|---|---|
| Net interest income[1] | 591 | 561 |
| Fee, commission and trading income | 28 | 40 |
| Net operating lease income | 381 | 200 |
| Share of net gains/(losses) of associates | 5 | 24 |
| Writedowns, impairment charges | (63) | (43) |
| Other income | 109 | 74 |
| Internal management revenue[2] | 26 | 20 |
| **Total operating income** | **1,077** | **876** |
| Total operating expenses | (376) | (302) |
| Non-controlling interests | (3) | - |
| **Net profit contribution[3]** | **698** | **574** |
| | | |
| Loan and finance lease portfolio ($Ab) | 15.9 | 15.2 |
| Operating lease portfolio ($Ab) | 4.7 | 4.3 |
| Staff numbers | 953 | 888 |

- Net interest income up 5% on prior year
  - Loan and finance lease portfolio up 5% on prior year
  - Increased early repayments on lending portfolio
- Net operating lease income up significantly on prior year due to the impact of acquisitions
  - ILFC aircraft lease portfolio (44 aircraft)
  - Macquarie AirFinance (91 aircraft, Nov 10)
  - Onstream acquisition (meters, Oct 11)
- Higher writedowns and impairment charges compared to prior year
  - Growth in the lending and leasing portfolios
  - Collective provisions released in the prior year
- Other income benefited from the sale of one aircraft in the current period and the continuing divestment of the aircraft engines business
- Operating expenses up 25% on prior year due to
  - Higher average headcount offset by benefit of stronger AUD
  - Full year impact of Macquarie AirFinance and the Onstream acquisition

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

# Banking and Financial Services
## Result

| | Mar 12 $Am | Mar 11 $Am |
|---|---|---|
| Net interest income[1] | 691 | 680 |
| Base fees | 44 | 74 |
| Brokerage and commissions | 217 | 257 |
| Platform and other fee and commission income | 408 | 412 |
| Income from life insurance business and other unit holder businesses | 58 | 51 |
| Writedowns, impairment charges | (39) | (53) |
| Other income | 33 | 65 |
| Internal management revenue[2] | 1 | 10 |
| **Total operating income** | **1,413** | **1,496** |
| Total operating expenses | (1,148) | (1,216) |
| Non-controlling interests | - | (5) |
| **Net profit contribution[3]** | **265** | **275** |
| | | |
| AUM ($Ab) | 3.1 | 3.4 |
| FUM / FUA[4] ($Ab) | 117.9 | 120.7 |
| Retail Deposits ($Ab) | 29.0 | 26.6 |
| Staff numbers | 3,163 | 3,228 |

- Net interest income up 2% on prior year
  - Increase in interest income partially offset by higher funding costs
  - Retail deposits up 9% from $A26.6b at Mar 11 to $A29.0b at Mar 12
  - Australian mortgage portfolio down 7% from $A11.6b at Mar 11 to $A10.8b at Mar 12
- Base fees down 41% on prior year
  - Full year impact of CMT conversion to CMA in Jul 10 and reduction in AUM
- Brokerage and commissions income down 16% on prior year
  - Full year impact of OzForex partial sale in Nov 10 (~$A20m)
  - Deterioration in global equity market conditions and investor appetite (~$A20m)
- Wrap platform FUA down 3% to $A22.0b from $A22.7b in prior year due to negative market movements
- Writedowns and impairment charges in the current period include:
  - Loan impairments ($A34m)
  - Other impairment charges ($A5m)
- Operating expenses down 6% on prior year driven by
  - Reduced headcount
  - Cost management initiatives
  - Lower advisor commissions as a result of subdued equity market conditions

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

# Macquarie Securities
## Result

| | Mar 12 $Am | Mar 11 $Am |
|---|---|---|
| Net trading income (including net interest income)[1] | 227 | 397 |
| Brokerage and commissions | 525 | 715 |
| Other fee and commission income | 140 | 212 |
| Internal management revenue and other income[2] | 1 | 6 |
| **Total operating income** | **893** | **1,330** |
| Total operating expenses | (1,087) | (1,146) |
| **Net profit/(loss) contribution[3]** | **(194)** | **184** |
| | | |
| Staff numbers | 1,187 | 1,768 |

- Net trading income down 43% on prior year
  - Subdued global market conditions driving reduced institutional and retail activity and weak product demand for retail and structured products
- Brokerage and commissions down 27% on prior year
  - Continued weak investor confidence driving reduced client activity across all regions
  - Client rankings maintained or improving
- Other fee and commission income down 34% on prior year
  - Reduced ECM activity in most regions driven by subdued market conditions
- Operating expenses down 5% on prior year driven by:
  - Cost management initiatives leading to lower headcount
  - Partially offset by exit costs from closing down and scaling back businesses
- During the year support functions embedded within the business, including Market Operations, were merged into Corporate service areas to drive scale efficiencies

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

# Macquarie Capital
## Result

| | Mar 12 $Am | Mar 11 $Am |
|---|---|---|
| Fee and commission income | 573 | 716 |
| Equity investment income | 199 | 121 |
| Net interest expense[1] | (77) | (108) |
| Net operating lease income | 9 | 43 |
| Writedowns, impairment charges | (54) | (22) |
| Other income | (8) | 138 |
| Internal management revenue[2] | 17 | 29 |
| **Total operating income** | **659** | **917** |
| Total operating expenses | (574) | (694) |
| Non-controlling interests | - | (9) |
| **Net profit contribution[3]** | **85** | **214** |
| | | |
| Staff numbers | 1,215 | 1,397 |

- Fee and commission income down 20% on prior year
  - Weak investor confidence and increased market volatility leading to significantly lower levels of ECM activity
  - Advisory and capital markets activity: 435 deals valued at approx. $A97b (547 deals valued at approx. $A159b in prior year)
- Equity investment income up due to:
  - Asset sales in renewable energy and resource investments
  - Increased equity accounted income
- Net interest expense down 29% on prior year
  - Growth in portfolio of debt investments increased interest income
- Net operating lease income down due to the sale of MALT
- Increased impairment charges and increased collective allowances
- Other income significantly down due to fair value movements of swaps shared with FICC, and a non-recurring lease transaction in FY11
- Expenses down 17% on prior year driven by reduced headcount

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

# Fixed Income, Currencies and Commodities

## Result

| | Mar 12 $Am | Mar 11 $Am |
|---|---|---|
| Commodities[1] | 576 | 618 |
| Foreign exchange products[1] | 65 | 38 |
| Interest rate products[1] | 245 | 286 |
| Fair value adjustments relating to leasing contracts | (3) | (17) |
| Fee and commission income | 148 | 171 |
| Equity investment income | 200 | 159 |
| Other income | 198 | 102 |
| Writedowns, impairment charges | (81) | 4 |
| Internal management revenue[2] | 16 | 55 |
| **Total operating income** | **1,364** | **1,416** |
| Total operating expenses | (825) | (841) |
| **Net profit contribution[3]** | **539** | **575** |
| | | |
| Staff numbers | 949 | 980 |

- Commodities trading income down 7% on prior year
  - Limited trading opportunities experienced in the metals and agricultural markets
  - Partially offset by strong revenues across the global energy platform due to growth and volatility in energy prices
- Foreign exchange products up 71% on prior year due to market volatility and improved client margins
- Interest rate products down 14% on prior year
  - 1H12: credit and financial markets impacted by uncertainty in Europe and US and concerns over global growth
  - 2H12: confidence returning to the markets
- Equity investment income up 26% on prior year
  - A number of realisations in MEC and Energy Markets, including the partial realisation of Energy Assets Limited through IPO
- Other income up 94% on prior year
  - Increased income on sale of profit interests in the energy sector
- Writedowns and impairment charges driven by more difficult market conditions

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

# Balance sheet highlights

- Balance sheet remains solid and conservative
  - Term assets covered by term funding, stable deposits and equity
  - Surplus funding capacity continues to be deployed
  - Minimal reliance on short term wholesale funding markets
- Retail deposits[1] continuing to grow, up 9% to $A29.0b at Mar 12 from $A26.6b at Mar 11
- $A8.2b of new term funding raised since 31 Mar 11
  - $A3.2b[2] mortgage and motor vehicle/equipment securitisations
  - $A2.4b MGL Senior Credit Facility
  - $A2.0b MBL unsecured and subordinated debt issuance
  - $A0.4b MGL unsecured bond issuance
  - $A0.2b MBL hybrid issuance
- As part of broader reviews of the banking sector globally, the three major rating agencies have now concluded their reviews on Macquarie with MBL remaining rated single A or equivalent by each of the agencies

1. Retail deposits are a subset of total deposits per the funded balance sheet ($A33.9b at 31 Mar 12), which differs from total deposits per the statutory balance sheet ($37.2b at 31 Mar 12). The funded balance sheet excludes any deposits which do not represent a funding source for the Group. 2. Includes $A0.2b term secured finance in Apr 12.

# Conservative long standing liquidity risk management framework

## Liquidity Policy

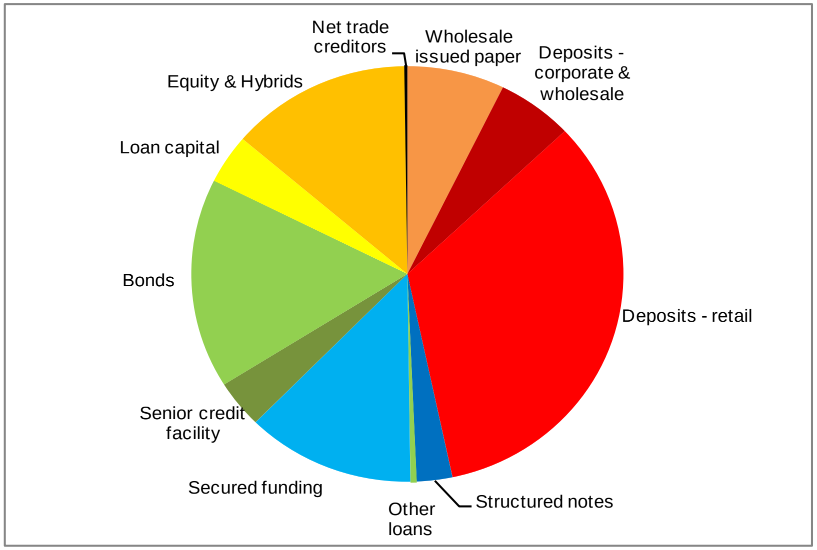
- The key requirement of MGL and MBL's liquidity policies is that the entities are able to meet all liquidity obligations on a daily basis and during a period of liquidity stress:
  - a minimum **twelve month** period with constrained or no access to funding markets and with only a limited impact on franchise businesses
- Term assets are funded by term liabilities

## Liquidity Framework

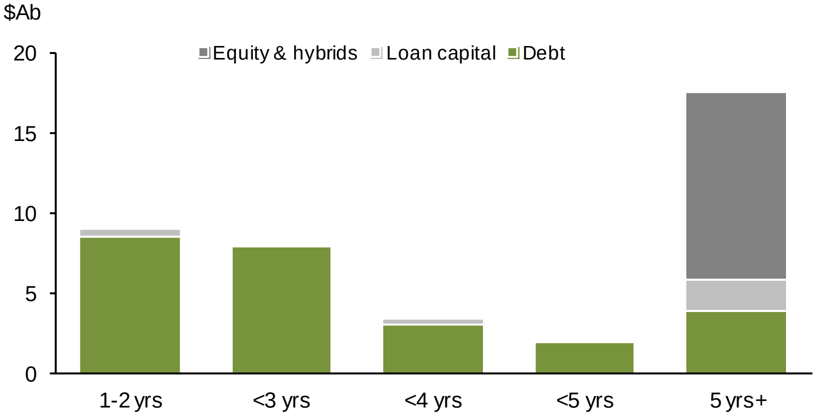
- A robust liquidity risk management framework ensures that both MGL and MBL are able to meet their funding requirements as they fall due under a range of market conditions. Key tools include:
  - Scenario Analysis
  - Unencumbered liquid asset holdings, and
  - Liability driven approach to funding
- Liquidity management is performed centrally by Group Treasury, with oversight from the Asset and Liability Committee and the Risk Management Group
- The Boards of each entity approve their respective liquidity policy and are provided with liquidity reporting on a monthly basis

# Well diversified funding sources

## Diversity of MGL funding sources




## MGL term funding (drawn and undrawn[1]) maturing beyond one year (including equity and hybrids)



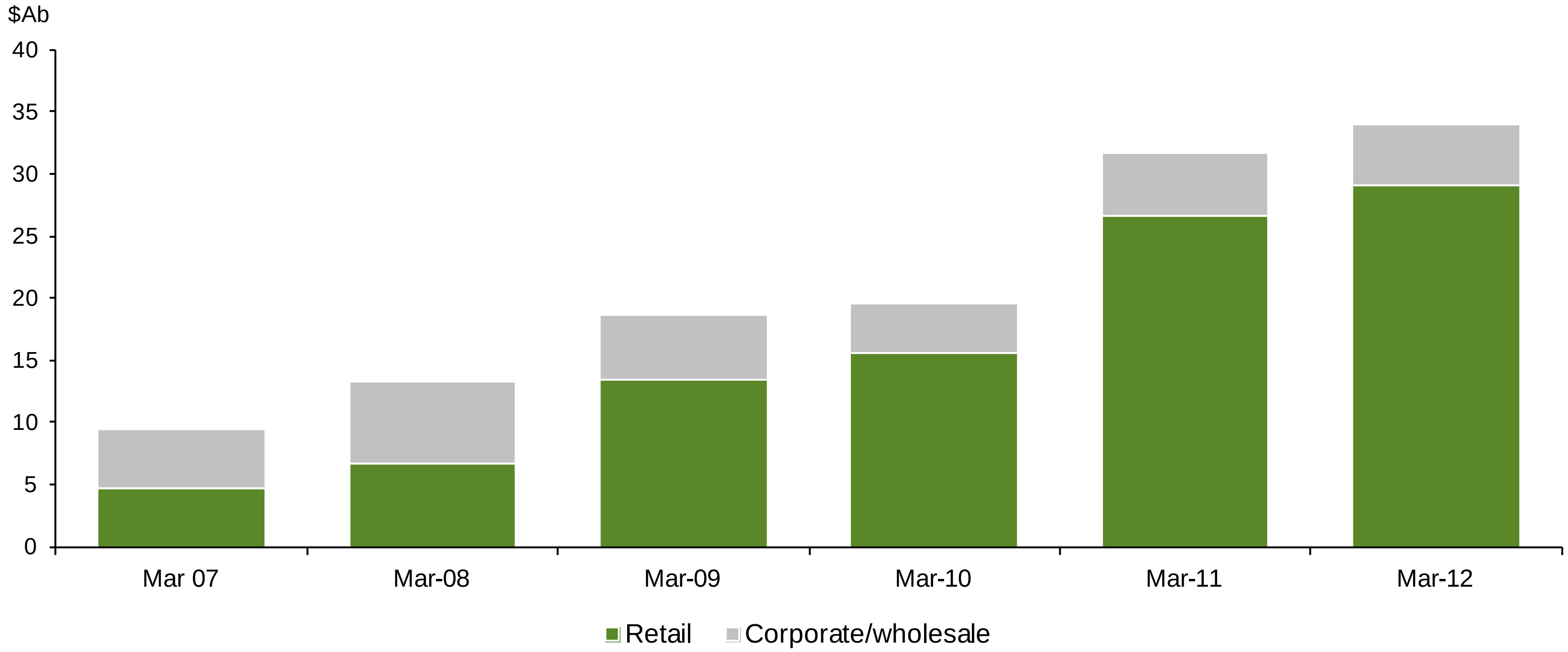

- Term funding beyond one year (excluding equity) has a weighted average term to maturity of 3.8 years

- Well diversified funding sources
- Minimal reliance on short term wholesale funding markets
- Deposit base represents 39% of total funding sources

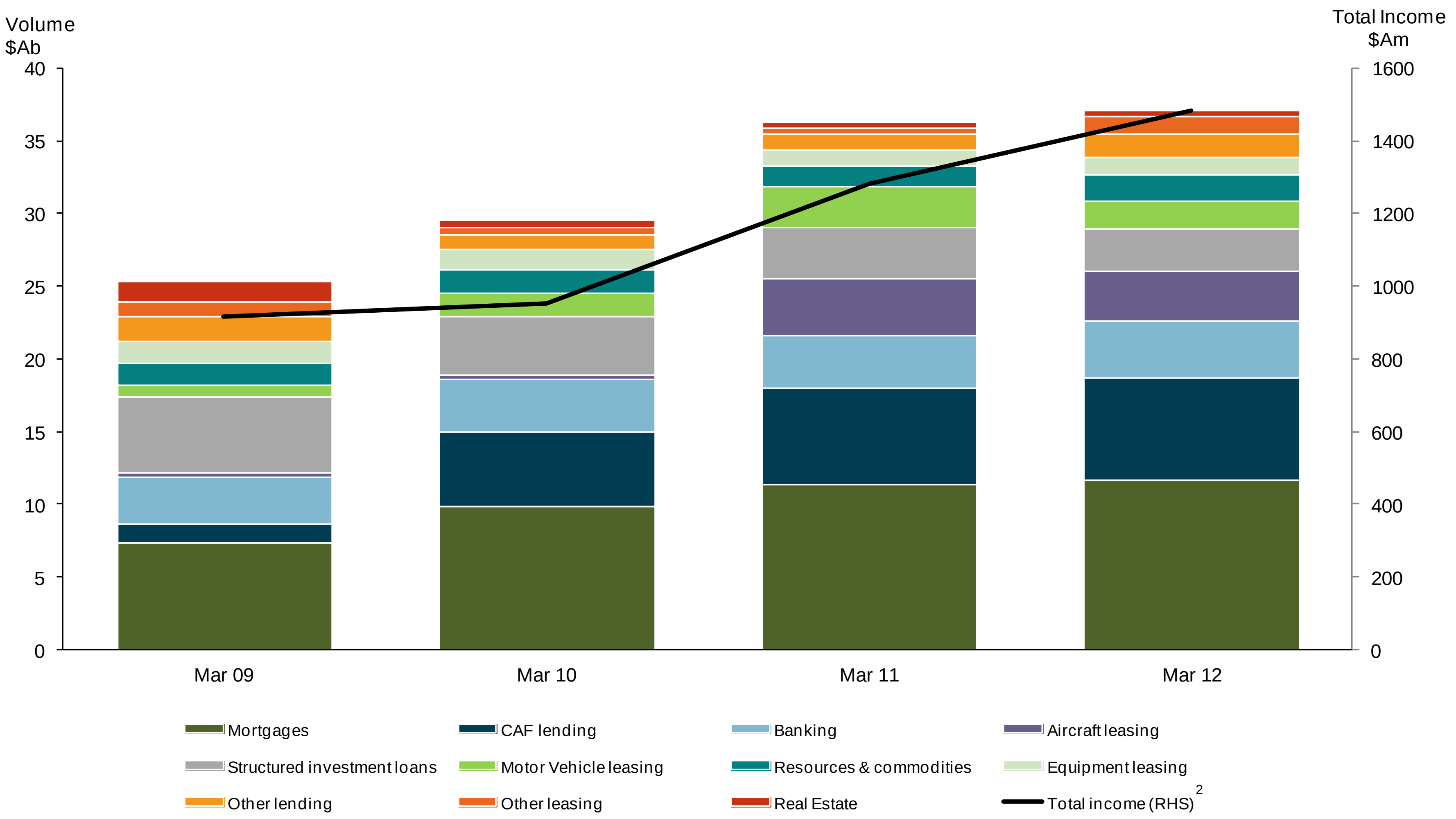
1. Includes $A0.2b of undrawn term facilities for the Group.

# Continued retail deposit growth

- Macquarie has been successful in pursuing its strategy of diversifying its funding sources through growing its deposit base
  - In excess of 1 million retail clients, of which more than 600,000 are depositors
  - Focus on the composition and quality of the deposit base
  - Continue to grow deposits in the CMA product which has an average balance of $A39k



# Loan portfolio[1] growth
## per the funded balance sheet




1. For the purposes of this disclosure, loan assets at amortised cost of $A45.2b per the statutory balance sheet are adjusted to include fundable assets not classified as loans on the statutory balance sheet and exclude loan assets that do not represent a funding requirement of the Group. 2. Total income includes net interest income from mortgages and other lending areas, and net operating lease income, net of funding costs.

# Equity investments of $A5.3b[1]

| Category | Carrying value[2] Mar 12 $Am | Carrying value[2] Mar 11 $Am | Description |
|---|---|---|---|
| Macquarie Funds (MIRA) managed funds | 869 | 880 | Macquarie Atlas Roads, Macquarie SBI Infrastructure Company, Macquarie Infrastructure Company, Macquarie International Infrastructure Fund, Macquarie Korea Infrastructure Fund and Macquarie European Infrastructure Funds |
| Other Macquarie managed funds | 222 | 361 | Includes investments that hedge DPS plan liabilities |
| Transport, industrial and infrastructure | 1,730 | 1,862 | Includes investments in Sydney Airport, Miclyn Express Offshore, and BrisConnections |
| Telcos, internet, media and entertainment | 702 | 369 | Includes investments in Cumulus Media Inc. and Southern Cross Media Group Limited. Increase due to additional investments through rights issues |
| Finance, investment, funds management and exchanges | 650 | 619 | Significant investments include MGPA, Charter Hall Limited and Macquarie Goodman Japan Limited |
| Energy and resources | 619 | 509 | Over 100 separate investments |
| Real estate | 371 | 479 | Represents property and JV investments/loans. Includes investments in Redford Australian Investment Trust, MGPA Shenton and Medallist |
| Debt investment entities | 22 | 79 | Largely relates to holding in Diversified CMBS Investments Inc. Underlying investments are commercial mortgage-backed securities that are highly rated. Reduction due to principal repayments |
| Held for sale | 134 | 79 | Investments classified as HFS when it's highly probable that the asset will be sold in the subsequent 12 months |
| | **5,319** | **5,237** | |

1. Equity investments per the statutory balance sheet of $A7,509m have been adjusted to reflect the total economic exposure to Macquarie. 2. Total funded equity investments of $A5,304m (Mar 11: $A5,541m) excluding available for sale reserves of $A140m (Mar 11: $A385m), associate reserves of ($A21m) (Mar 11: ($A2m)) and held for sale investments of $A134m (Mar 11: $A79m).

# Capital update

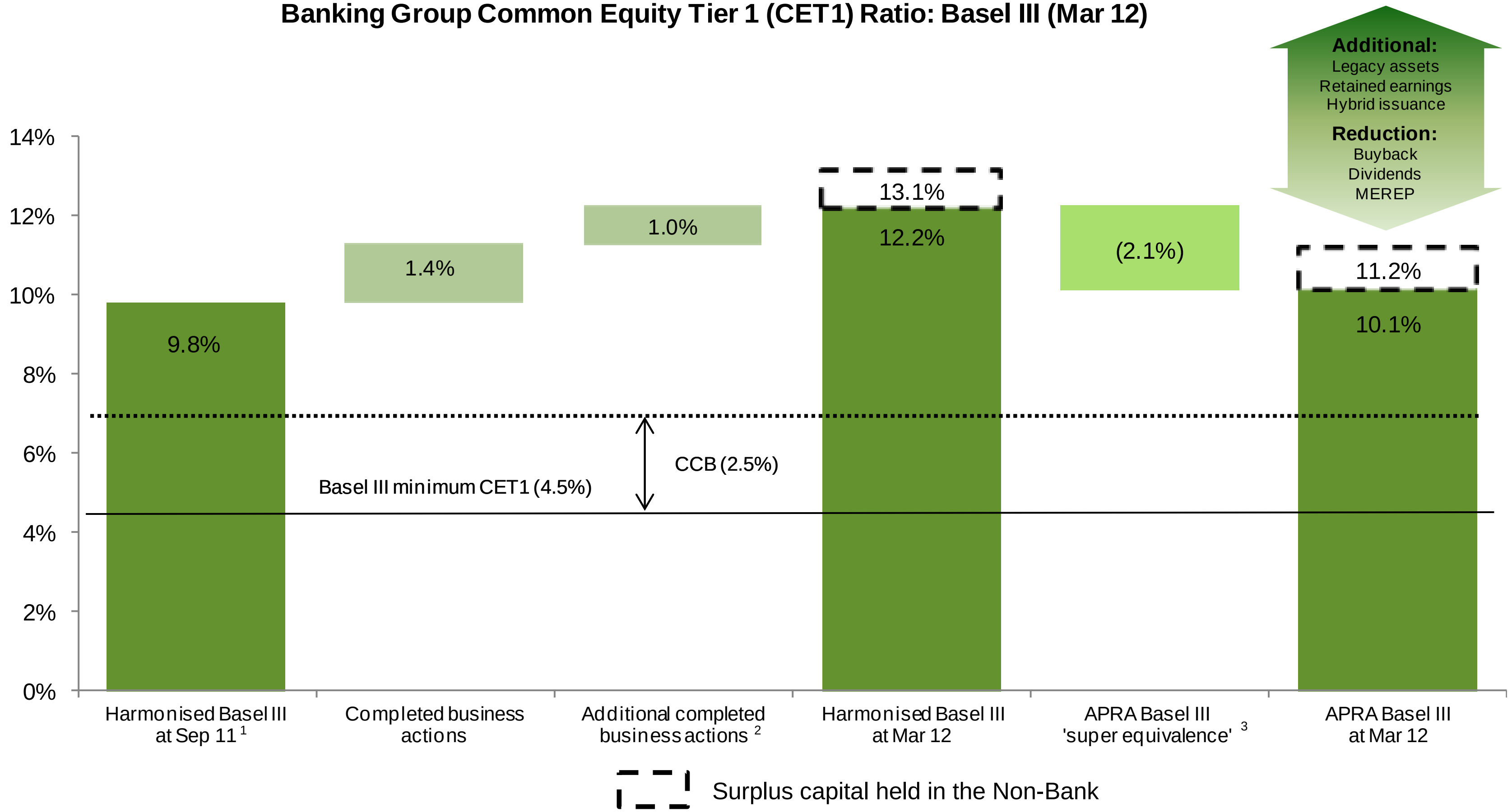
- Based on the Macquarie Group Basel III capital position as at 31 Mar 12 and on a fully implemented Harmonised Basel III basis[1]:
  - Group capital surplus is $A3.5b measured at 8.5%[2] (BIS requirement in 2019)
  - MBL's CET1 ratio is 12.2%, pro forma CET1 ratio of 13.1% including surplus capital held in the Non-Bank
- The Banking Group's CET1 ratio of 12.2% compares favourably to the current estimated global average of 7.1% reported by BIS in a recent survey of 103 global banks[3]
- Under Basel III, local regulators have the discretion to make adjustments to the timing, nature and quantum of Basel III reforms (so called "super equivalence"). After adjusting for APRA's "super equivalence"[4] and on a fully implemented basis (not otherwise required by APRA until 2016):
  - Group capital surplus is $A2.1b measured at 8.5%
  - MBL's CET1 ratio is 10.1%, pro forma CET1 ratio of 11.2% including surplus capital held in the Non-Bank
- Potential impact of the initial buyback, on-market purchases of MEREP and DRP is expected to see an overall purchase of shares in excess of $A800m

1. 'Harmonised' Basel III estimates assume full alignment with BIS in areas where APRA differs from the BIS. 2. The Tier 1 capital ratio of 8.5% includes the capital conservation buffer (CCB) and is not required by APRA until 2016 and by BIS until 2019. 3. Quantitative impact study results published by the Basel Committee, as reported by BIS, 12 Apr 12. Average of 103 Group 1 banks (i.e. those that have Tier 1 capital in excess of €3b and are internationally active). 4. Based on draft capital standards published by APRA on 30 Mar 12.

# Basel III Common Equity Tier 1 (CET1) Ratio

- Strong Banking Group Harmonised Basel III CET1 ratio - Common Equity Tier 1: 12.2%; Tier 1: 13.2%
- Basel III applies only to the Banking Group and not the Non-Banking Group

**Banking Group Common Equity Tier 1 (CET1) Ratio: Basel III (Mar 12)**




1.'Harmonised' Basel III estimates assume full alignment with BIS in areas where APRA differs from the BIS. 2. Capital initiatives completed in addition to those shown in the Feb 12 Operational Briefing (Slide 90). 3. APRA Basel III 'super-equivalence' includes full CET1 deductions of equity investments (1.1%); deconsolidated subsidiaries (0.5%); DTA's and other impacts (0.5%).

# 4 Outlook

**Nicholas Moore**

Managing Director and Chief Executive Officer

**Macquarie Group Limited**

Result Announcement for the year ended 31 March 2012

27 April 2012 – Presentation to Investors and Analysts

# Short term outlook

- Summarised below are the outlook statements for each operating group, the FY13 results will vary with market conditions, particularly the capital markets facing businesses which continue to experience volatility

| | Net profit contribution | | | |
|---|---|---|---|---|
| **Operating Group** | **FY07- FY12 historical range** | **FY07-FY12 average** | **FY12** | **FY13 outlook** |
| Macquarie Funds | $A0.3b – $A1.1b | $A0.7b | $A0.7b | Broadly in line with FY12, subject to performance fees |
| Corporate and Asset Finance | $A0.1b – $A0.7b[1] | $A0.3b | $A0.7b | Broadly in line with FY12 |
| Banking and Financial Services | $A0.1b – $A0.3b[2] | $A0.2b | $A0.3b | Up on FY12 |
| Macquarie Securities | $A(0.2)b – $A1.2b | $A0.5b | $A(0.2)b | Up on FY12 |
| Macquarie Capital | $A(0.1)b – $A1.6b | $A0.5b | $A0.1b | Up on FY12 |
| FICC | $A0.5b – $A0.8b | $A0.6b | $A0.5b | Up on FY12 |
| Corporate | – Compensation ratio to be consistent with historical levels<br>– Continued higher cost of funding reflecting market conditions and high liquidity levels | | | No change |

1. Range excludes FY09 provisions for loan losses of $A135m related to Real Estate Structured Finance loans as this is a restructured business. 2. Range excludes FY09 loss on sale of Italian mortgages of $A248m as this is a discontinued business.

# Short term outlook

- While market volatility makes forecasting difficult, it is currently expected that the result for the Group for FY13 will be an improvement on FY12 provided market conditions for FY13 are not worse than those experienced over the past 12 months
- The FY13 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.

# Medium term

Macquarie remains well positioned to deliver superior performance in the medium term

- Deep expertise in major markets
- Build on our strength in diversity and continue to adapt our portfolio mix to changing market conditions
  - Annuity-style income is provided by three significant businesses which are delivering superior returns following years of investment and recent acquisitions
    - Macquarie Funds, Corporate and Asset Finance and Banking and Financial Services
  - Three capital markets facing businesses:
    - Macquarie Securities and Macquarie Capital are well positioned to benefit from improvements in market conditions with strong platforms and franchise positions
    - FICC well placed to benefit from more normalised conditions
- Ongoing benefits of continued cost initiatives
- Strong and conservative balance sheet
  - Well matched funding profile with minimal reliance on short term wholesale funding
  - Surplus funding and capital available to support growth
- Proven risk management framework and culture

# Approximate business Basel III ROE

| Group | APRA Basel III Capital @ 8.5% ($Ab) | Approx. FY12 Return on Ordinary Equity[1] | | |
|---|---|---|---|---|
| **Annuity-style businesses (excluding legacy)** | | | **Approx. 6-Year Average Return on Ordinary Equity[1]** | |
| Macquarie Funds Group | 1.6 | 22% | 20%[2] | |
| Corporate and Asset Finance | 2.2 | | | |
| Banking and Financial Services | 0.7 | | | |
| **Capital market businesses (excluding legacy)** | | | **6-Year average profit pre tax and profit share ($Ab)** | **Approx. 6-Year Average Return on Ordinary Equity[1]** |
| Macquarie Securities | 0.6 | - | 0.5 | 30% |
| Macquarie Capital | 1.4 | | 0.6 | 20% |
| FICC | 2.7 | 10% | 0.6 | 15% |
| **Corporate and Other** | | | | |
| Legacy Assets[3] | 1.0 | | | |
| Corporate | 0.5 | | | |
| Total regulatory capital requirement @ 8.5% | 10.7 | | | |
| *Comprising: Ordinary Equity* | *9.0* | | | |
| *Hybrid* | *1.7* | | | |
| Add: Surplus Ordinary Equity | 2.1 | | | |
| **Total APRA Basel III capital supply** | **12.8** | | | |

1. NPAT used in the calculation of approx. ROE is based on Operating Group's net profit contribution adjusted for indicative allocations of profit share, tax and other corporate expenses. Accounting equity is attributed to businesses based on regulatory capital requirements. 2. CAF excluded from 6-year average as not meaningful given the significant increase in scale of CAF's platform over the 6-year period. 3. Includes the $A0.8b of legacy assets and businesses identified on Slide 90 of the Feb 12 Operational Briefing, plus $A0.2b of capital relating to businesses in run-off and other.

# Medium term

| | |
|---|---|
| MFG | ▪ Annuity-style business that is diversified across regions, products, asset classes and investor types<br>▪ Well positioned for organic growth with several strongly performing products and an efficient operating platform<br>▪ Any improvement in market confidence should lead to increased allocations to higher margin products |
| CAF | ▪ Pursuing growth in the loan and lease portfolio<br>▪ Continue to seek opportunities for further asset realisations<br>▪ Funding from asset securitisation throughout the cycle |
| BFS | ▪ Increased savings through compulsory superannuation supports both direct and indirect business<br>▪ Any improvement in investor confidence should lead to higher activity in higher return assets such as equities<br>▪ Increased adviser numbers should deliver increased profitability for MPW Australia and Canada<br>▪ Ongoing expansion of intermediary portfolios including Wrap and Australian Mortgages |
| MSG | ▪ Highly leveraged to any improvement in market conditions and return of investor confidence<br>▪ MSG well positioned for recovery in Asian retail derivatives, cash equities and ECM<br>▪ Monetise existing strong research position<br>▪ Increased profitability through operational efficiencies |
| MacCap | ▪ MacCap can expect to benefit from any improvement in M&A and ECM market activity<br>▪ MacCap should also benefit from activities undertaken to improve efficiency and align the business footprint to current opportunities and market conditions in each region |
| FICC | ▪ Opportunities to grow commodities business, both organically and through acquisition<br>▪ Development of institutional coverage for specialised credit, rates and foreign exchange products<br>▪ Increase in asset realisations as metals and resource equity market prices improve<br>▪ Growing the client base across all regions |

MACQUARIE


# A
# Appendix
## Cost Performance Drivers

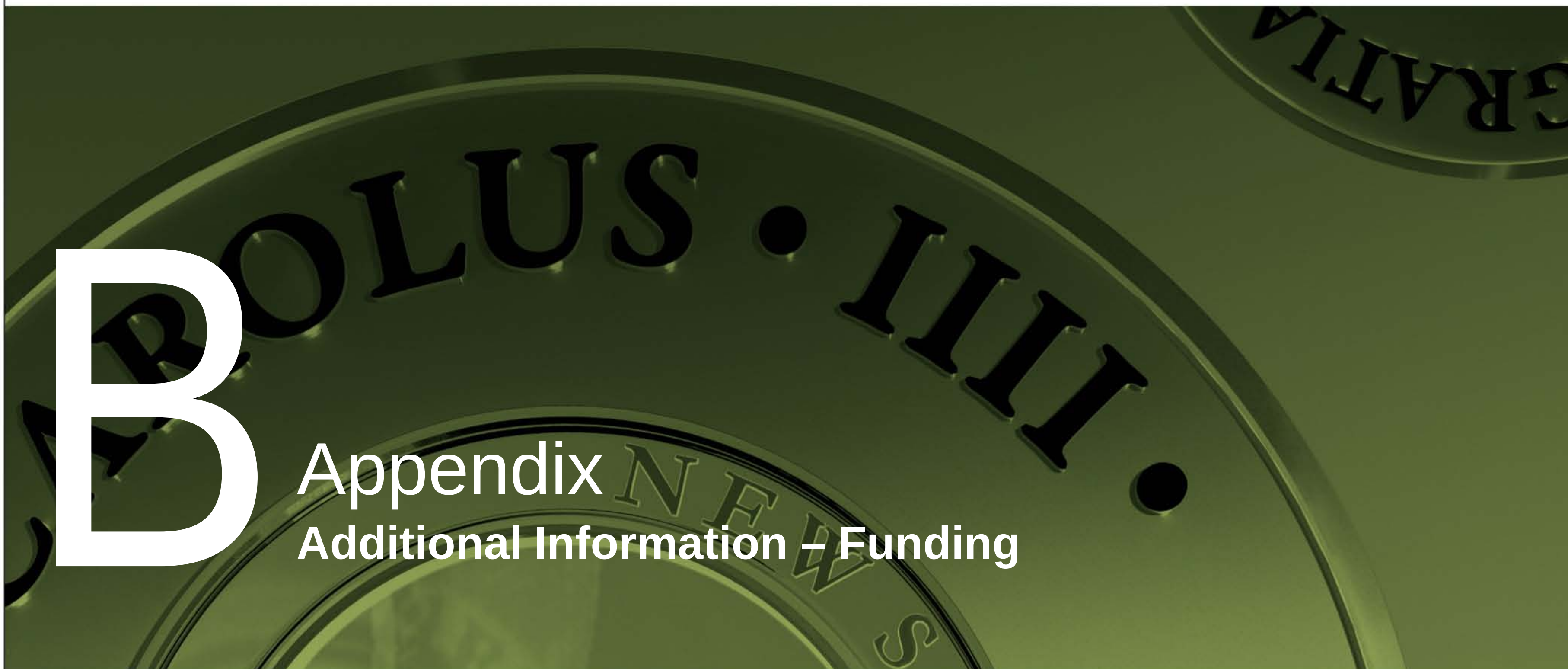
**Macquarie Group Limited**

Result Announcement for the year ended 31 March 2012

27 April 2012 – Presentation to Investors and Analysts

# Cost Performance Drivers

| | Growth areas | FY12 | Cost reduction | FY12 |
|---|---|---|---|---|
| **MFG** | ▪ Distribution capability in Europe and US<br>▪ Acquisition of Austrian investment management business | **$A10m** | ▪ Streamlined product suite<br>▪ Merging US fixed income onto Delaware platform<br>▪ Improved operational efficiency | **$A112m** |
| **CAF** | ▪ Impact of investment in OnStream Meters, Macquarie AirFinance, Distribution Finance and Mining Equipment<br>▪ Growth in Lending and Leasing | **$A82m** | ▪ Operational efficiencies | **$A19m** |
| **BFS** | ▪ Growth in MPW Canada<br>▪ Investment in Wrap platform and Mortgages relaunch | **$A41m** | ▪ Operational/staffing efficiencies<br>▪ Discretionary cost savings and project reductions<br>▪ Closure UK Wrap platform | **$A127m** |
| **MSG** | ▪ Core middle/back office platforms<br>▪ Upgrade global research and ecommerce platforms | **$A41m** | ▪ IT project spend initiatives<br>▪ Operational/staffing efficiencies | **$A145m** |
| **MacCap** | ▪ Selective hiring to fill out required skill mix | **$A7m** | ▪ Operational/staffing efficiencies in front and back office<br>▪ Global support model review | **$A135m** |
| **FICC** | ▪ Established G10 currency and sales trading platform in Singapore, MBL Singapore branch operational<br>▪ Amortisation from investment in energy sector intangibles | **$A46m** | ▪ Largely completed build out of global platform<br>▪ Restructuring and platform enhancements<br>▪ Cessation of Latin America fixed income products | **$A58m** |
| **REB** | ▪ Nil | **$A0m** | ▪ Continued business rationalisation | **$A15m** |
| **Corporate – allocated to Operating Groups** | ▪ Corporate Data Program<br>▪ Investment in systems/teams to meet growing regulatory requirements<br>▪ Investment in platforms to continue to achieve scale growth | | ▪ Finance, HR, ITG and Operations operating model redesign including utilisation of lower cost locations<br>▪ IT Infrastructure savings and reduction in global occupancy footprint<br>▪ Corporate decrease relates to cost not allocated to business units including profit share and share based payments | **$A125m** |
| | **Growth areas** | **$A227m** | **Total cost reduction** | **$A736m** |



# B Appendix

## Additional Information – Funding

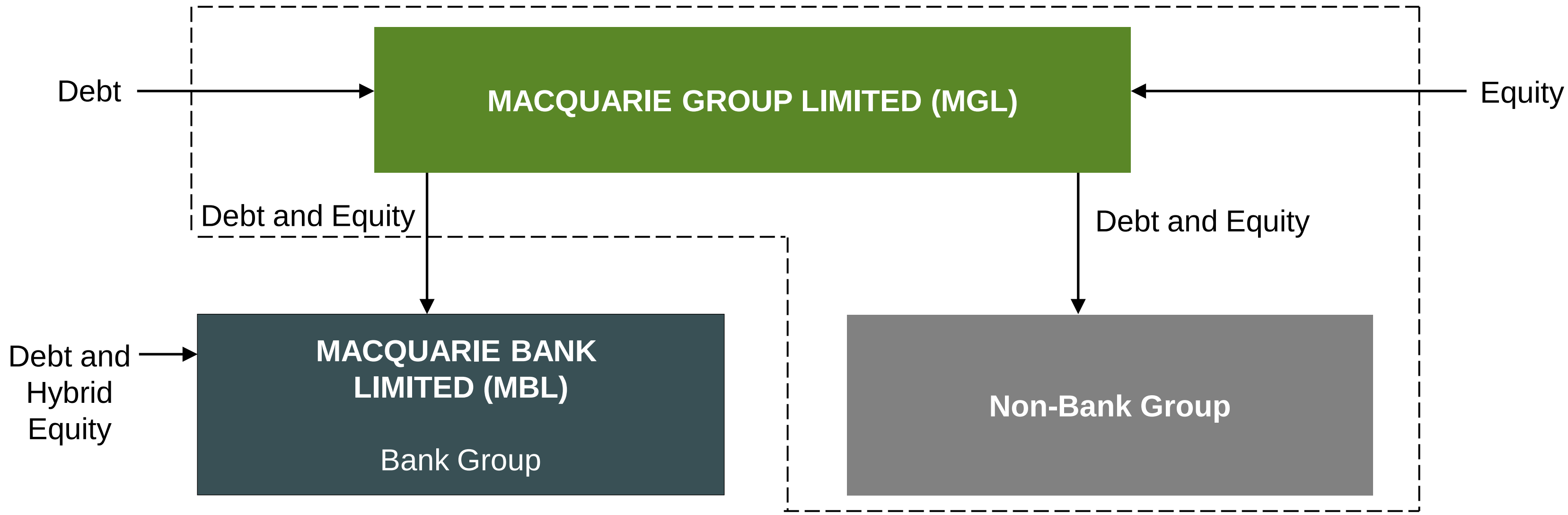
**Macquarie Group Limited**

Result Announcement for the year ended 31 March 2012

27 April 2012 – Presentation to Investors and Analysts

# Group funding structure

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



# Funded balance sheet reconciliation

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

| | Mar 12<br>$Ab | Mar 11<br>$Ab |
|---|---|---|
| **Total assets per Statutory Balance Sheet** | **153.6** | **157.6** |
| ***Deductions:*** | | |
| Self funded trading assets | (10.0) | (14.7) |
| Derivative revaluation accounting gross ups | (20.5) | (20.5) |
| Life investment contracts and other segregated assets | (9.0) | (8.1) |
| Broker settlement balances | (9.2) | (6.3) |
| Short-term working capital assets | (5.7) | (7.6) |
| ***Less non-recourse funded assets:*** | | |
| Securitised assets and non-recourse warehouses | (13.0) | (12.8) |
| **Total assets per Funded Balance Sheet** | **86.2** | **87.6** |

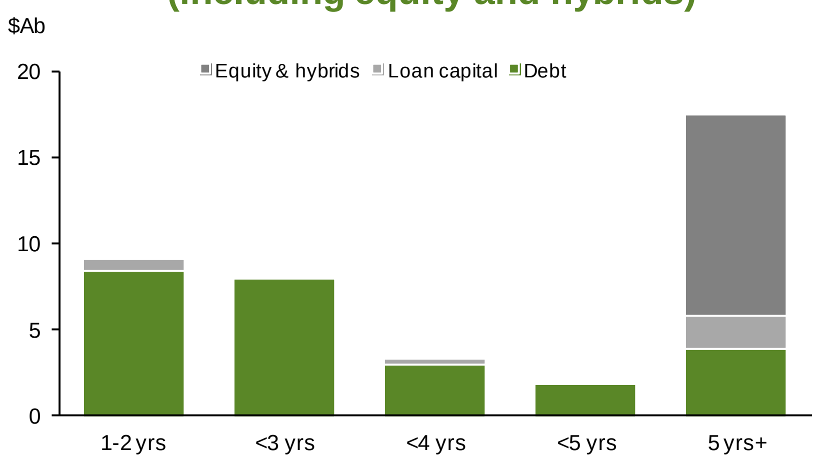
# Funding for the Group

## 31 March 2012

| | Mar 12 $Ab | Mar 11 $Ab |
|---|---|---|
| ***Funding sources*** | | |
| Negotiable certificates of deposit | 1.7 | 1.7 |
| Commercial paper | 4.6 | 3.5 |
| Net trade creditors | 0.2 | 0.5 |
| Structured notes | 2.3 | 3.5 |
| Secured funding | 10.9 | 10.6 |
| Bonds | 14.0 | 16.6 |
| Other loans | 0.4 | 0.3 |
| Senior credit facility | 3.2 | 4.5 |
| Retail deposits | 29.0 | 26.6 |
| Corporate/wholesale deposits | 4.9 | 5.0 |
| Loan capital[1] | 3.3 | 2.9 |
| Equity and hybrids[2] | 11.7 | 11.9 |
| **Total funding sources** | **86.2** | **87.6** |
| ***Funded assets*** | | |
| Cash and liquid assets | 23.2 | 26.0 |
| Net trading assets | 15.9 | 15.0 |
| Loan assets < 1 year | 7.7 | 7.6 |
| Loan assets > 1 year | 29.3 | 28.6 |
| Assets held for sale | 0.1 | 0.1 |
| Debt investment securities | 2.9 | 2.8 |
| Co-investment in Macquarie-managed funds and other equity investments | 5.3 | 5.5 |
| Property, plant & equipment and intangibles | 1.8 | 2.0 |
| **Total funded assets** | **86.2** | **87.6** |

- Well diversified funding sources
- Minimal reliance on short term wholesale funding markets
- Deposit base represents 39% of total funding sources
- Term funding beyond one year (excluding equity) has a weighted average term to maturity of 3.8 years

**MGL term funding (drawn and undrawn[3]) maturing beyond one year (including equity and hybrids)**




1. This includes Convertible Preference Securities of $A0.6b, Preferred Membership Interests of $A0.4b and Exchangeable Capital Securities of $A0.2b. 2. Equity and hybrids include ordinary capital, Macquarie Income Securities of $A0.4b and Macquarie Income Preferred Securities of $A0.1b. 3. Includes $A0.2b of undrawn term facilities for the Group.

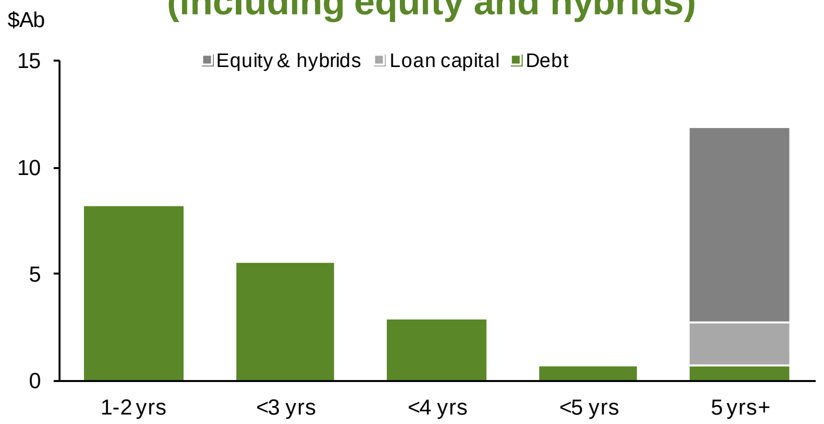
# Funding for the Bank Group

## 31 March 2012

| | Mar 12 $Ab | Mar 11 $Ab |
|---|---|---|
| ***Funding sources*** | | |
| Negotiable certificates of deposit | 1.7 | 1.7 |
| Commercial paper | 4.6 | 3.5 |
| Net trade creditors | 0.7 | - |
| Structured notes | 1.7 | 2.9 |
| Secured funding | 10.7 | 8.9 |
| Bonds | 9.5 | 12.5 |
| Other loans | 0.1 | - |
| Retail deposits | 29.0 | 26.6 |
| Corporate/wholesale deposits | 4.9 | 5.0 |
| Loan capital[1] | 2.3 | 1.9 |
| Equity and hybrids[2] | 9.2 | 9.1 |
| **Total funding sources** | **74.4** | **72.1** |
| ***Funded assets*** | | |
| Cash and liquid assets | 20.9 | 23.8 |
| Net trading assets | 14.5 | 13.4 |
| Loan assets < 1 year | 7.3 | 7.2 |
| Loan assets > 1 year | 28.4 | 26.2 |
| Debt investment securities | 2.7 | 2.6 |
| MBL intra-group loan to MGL | - | 0.7 |
| Non-Banking Group deposit with MBL | (1.7) | (4.6) |
| Co-investment in Macquarie-managed funds and other equity investments | 1.4 | 1.8 |
| Property, plant & equipment and intangibles | 0.9 | 1.0 |
| **Total funded assets** | **74.4** | **72.1** |

- Bank balance sheet remains very liquid, well capitalised and with a diversity of funding sources
- Term funding beyond one year (excluding equity) has a weighted average term to maturity of 3.3 years
- Retail deposits of Macquarie Bank Limited benefit from the guarantee provided by the Australian Government[3]. The majority of Macquarie's deposits are covered by the Financial Claims Scheme
- MBL issued its inaugural non-government guaranteed senior unsecured debt of $US700m
- $US250m Exchangeable Capital Securities (ECS) issued

### MBL term funding (drawn and undrawn[4]) maturing beyond one year (including equity and hybrids)




1. This includes Exchangeable Capital Securities of $A0.2b. 2. Equity and hybrids include ordinary capital, Macquarie Income Securities of $A0.4b and Macquarie Income Preferred Securities of $A0.1b. 3. Effective 1 Feb 12, the first $A250,000 of aggregate retail deposits held by an individual is guaranteed under the Financial Claims Scheme. 4. Includes $A0.2b of undrawn term facilities for the Banking Group.

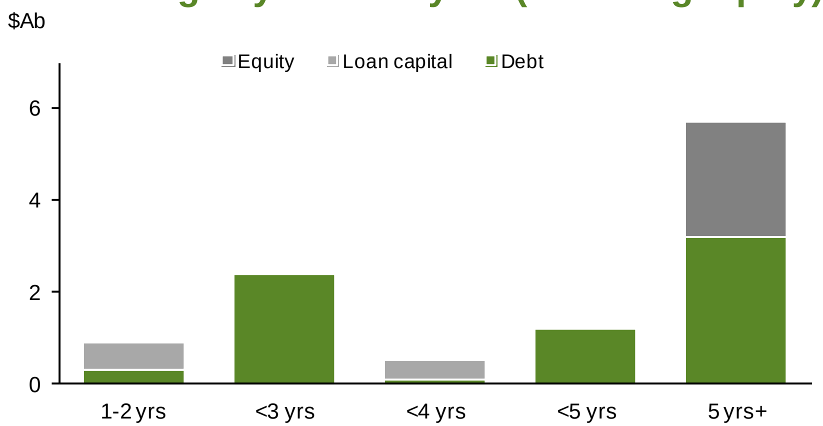
# Funding for the Non-Bank Group

## 31 March 2012

| | Mar 12 $Ab | Mar 11 $Ab |
|---|---|---|
| ***Funding sources*** | | |
| MBL intra-group loan to MGL | - | 0.7 |
| Net trade creditors | - | 0.5 |
| Structured notes | 0.6 | 0.6 |
| Secured funding | 0.2 | 1.7 |
| Bonds | 4.5 | 4.1 |
| Other loans | 0.3 | 0.3 |
| Senior credit facility | 3.2 | 4.5 |
| Loan capital[1] | 1.0 | 1.0 |
| Equity | 2.5 | 2.8 |
| **Total funding sources** | **12.3** | **16.2** |
| ***Funded assets*** | | |
| Cash and liquid assets | 2.3 | 2.2 |
| Non Banking Group deposit with MBL | 1.7 | 4.6 |
| Net trading assets | 1.4 | 1.6 |
| Loan assets < 1 year | 0.4 | 0.4 |
| Loan assets > 1 year | 0.9 | 2.4 |
| Assets held for sale | 0.1 | 0.1 |
| Debt investment securities | 0.2 | 0.2 |
| Co-investment in Macquarie-managed funds and other equity investments | 3.9 | 3.7 |
| Property, plant & equipment and intangibles | 0.9 | 1.0 |
| Net trade debtors | 0.5 | - |
| **Total funded assets** | **12.3** | **16.2** |

- Non-Bank Group is predominantly term funded
- Term funding beyond one year (excluding equity) has a weighted average term to maturity of 4.9 years
- Refinanced $A2.4b of MGL's Senior Credit Facility

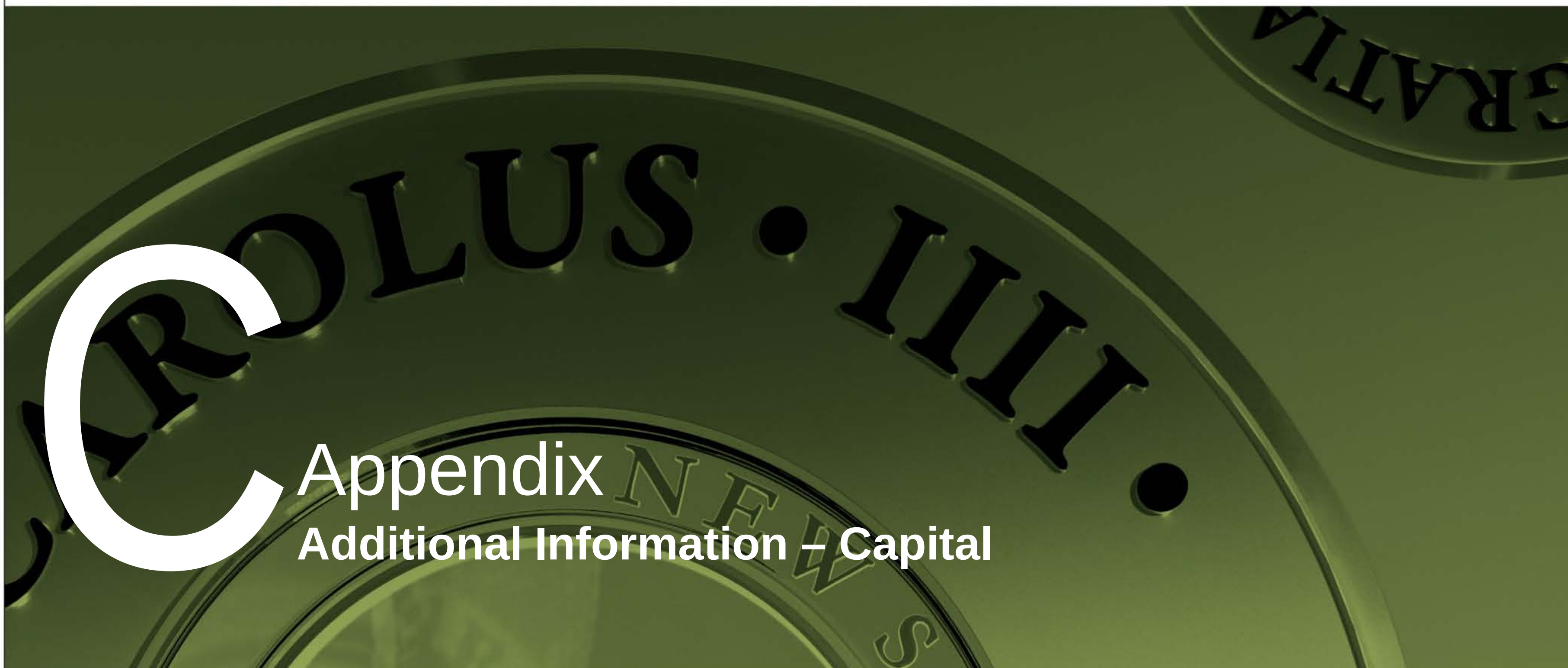
**Non-Bank Group term funding (drawn and undrawn[2]) maturing beyond one year (including equity)**




1. Mar 12 balance includes Convertible Preference Securities of $A0.6b and Preferred Membership Interests of $A0.4b. 2. There are no undrawn term facilities in the Non-Bank Group.

# Explanation of Funded Balance Sheet reconciling items

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



# C Appendix
## Additional Information – Capital

**Macquarie Group Limited**

Result Announcement for the year ended 31 March 2012

27 April 2012 – Presentation to Investors and Analysts

# Regulatory update

- APRA released draft capital standards covering definition of capital on 30 March 2012 for industry consultation:
  - Proposals broadly consistent with the APRA discussion paper published Sep 11
  - APRA's interpretation of the Basel III risk coverage proposals will be released later in 2012
- APRA proposes to adopt all Basel III reforms, but with some additional "in-principle" conservatism ("super-equivalence")
- APRA requires ADI's to meet 4.5% Common Equity Tier 1 (CET1) capital ratio from 1 January 2013 (BIS has 2 year phase-in from 2013), with capital conservation buffer (CCB) of 2.5% to apply from 1 January 2016 (BIS has 3 year phase-in from 2016)
  - APRA expects banks to meet the CCB 'as soon as reasonably possible' post 1 January 2013
- Leverage ratio to be implemented per BIS timetable, with disclosure from 2015 and migration to Pillar 1 in 2018
- Basel III applies only to Macquarie Banking Group
- Macquarie's response to APRA's draft Liquidity standards submitted in Feb 12

# Macquarie Group Basel III regulatory capital

## Surplus calculation

| 31 March 2012 | Harmonised Basel III $Am | APRA Basel III $Am | |
|---|---|---|---|
| **Macquarie Group eligible capital:** | | | |
| Bank Gross Tier 1 capital | 9,545 | 9,545 | |
| Non-Bank eligible capital | 3,304 | 3,304 | |
| Eligible capital | 12,849 | 12,849 | (a) |
| **Macquarie Group capital requirement:** | | | |
| Banking Group contribution | | | |
| Risk-Weighted Assets | 61,542 | 56,099 | |
| Capital required to cover Risk-Weighted Assets[1] | 4,308 | 3,927 | |
| CET1 and Additional Tier 1 deductions[2] | 1,338 | 3,164 | |
| Total Banking Group contribution @ 7% RWAs | 5,646 | 7,091 | |
| Total Non-Banking Group contribution[3] | 2,774 | 2,774 | |
| Total Macquarie Group capital requirement @ 7% RWAs | 8,420 | 9,865 | (b) |
| **Macquarie Group regulatory capital surplus @7%** | **4,429** | **2,984** | **(a)-(b)** |
| Additional capital requirement required to maintain 8.5% Tier 1 ratio in Bank | 923 | 841 | (c) |
| **Macquarie Group regulatory capital surplus @8.5%** | **3,506** | **2,143** | **(a)-(b)-(c)** |

1. Calculated at the internal minimum Tier 1 ratio of the Banking Group, which is 7%. 2. In calculating the Banking Group's contribution to MGL's capital requirement, Tier 1 deductions arising from transactions with the Non-Bank are eliminated (31 Mar 12: $A60m). 3. Non-Bank capital requirement differs from that shown in the Basel II surplus calculation due to expected addition of a CVA capital requirement into the ECAM from late 2012.

# Macquarie Group regulatory capital
## Non-Banking Group contribution

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

| Risk[1] | Basel III | ECAM |
|---|---|---|
| **Credit** | Capital requirement generally determined by Basel III IRB formula, with some parameters specified by the regulator (e.g. loss given default) | Capital requirement generally determined by Basel III IRB formula, but with internal estimates of some parameters |
| **Equity** | Harmonised Basel III: 250%, 300% or 400% risk weight, depending on the type of investment[2]. Deduction from Common Equity Tier 1 above a threshold<br>APRA Basel III: 100% Common Equity Tier 1 deduction | Extension of Basel III credit model to cover equity exposures. Capital requirement between 39% and 79% of face value; average 53% |
| **Market** | 3 times 10 day 99% Value at Risk (VaR) plus 3 times 10-day 99% Stressed VaR plus a specific risk charge | Scenario-based approach |
| **Operational** | Advanced Measurement Approach | Advanced Measurement Approach |

1. The ECAM also covers insurance underwriting risk, non-traded interest rate risk and the risk on assets held as part of business operations, e.g. fixed assets, goodwill, intangible assets, capitalised expenses and certain minority stakes in associated companies or stakes in joint ventures. 2. Includes all Banking Book equity investments, plus net long Trading Book holdings in financial institutions where the ADI does not own more than 10% of the issued common share capital of the entity.

# Macquarie Group Basel II regulatory capital[1]

## Surplus calculation

| Basel II | 31 March 12 $Am | |
|---|---|---|
| **Macquarie Group eligible capital:** | | |
| Bank eligible capital | 9,061 | |
| Non-Bank eligible capital | 3,495 | |
| Eligible capital | 12,556 | (a) |
| **Macquarie Group capital requirement:** | | |
| Banking Group contribution | | |
| Risk-weighted assets | 51,871 | |
| Internal minimum Tier 1 ratio (Bank) | 7% | |
| Capital required to cover risk-weighted assets | 3,631 | |
| Tier 1 deductions[2] | 1,828 | |
| Banking Group contribution | 5,459 | |
| | | |
| Non-Banking Group contribution | 2,764 | |
| Capital requirement | 8,223 | (b) |
| | | |
| **Surplus over Group's minimum regulatory capital requirement** | **4,333** | (a)-(b) |

1. Now calculated on a "Basel 2.5" basis, including Stressed VaR and changes to securitisation risk weights. 2. In calculating the Banking Group's contribution to Group capital requirement, Tier 1 deductions arising from transactions with the Non-Bank are eliminated ($A60m at 31 Mar 12).

# Macquarie Group Basel II regulatory capital
## Banking Group contribution

- Strong Banking Group capital ratios - Tier 1: 13.8% (Core Tier 1[1]: 12.5%); Total Capital: 16.6%

| 31 March 2012 | Risk-weighted assets $Am | Tier 1 Deductions $Am | Capital Requirement[2] $Am |
|---|---|---|---|
| Credit risk | | | |
| On balance sheet | 28,648 | | 2,005 |
| Off balance sheet | 8,887 | | 622 |
| Credit risk total | 37,535 | | 2,627 |
| Equity risk | 2,028 | | 142 |
| Market risk | 4,666 | | 327 |
| Operational risk | 6,312 | | 442 |
| Other | 1,330 | 1,828 | 1,921 |
| Contribution to Group capital calculation | 51,871 | 1,828 | 5,459 |
| Intra-group transactions[3] | 0 | 60 | |
| Banking Group standalone capital calculation | 51,871 | 1,888 | |

1. Core Tier 1 ratio excludes hybrids. 2. The capital requirement is calculated as the capital required for RWA, at the internal minimum Tier 1 ratio of the Banking Group (7%), plus Tier 1 deductions. 3. Tier 1 deductions arising from transactions with the Non-Bank are eliminated.

# Macquarie Group regulatory capital

## Non-Banking Group contribution

| 31 March 2012 | Assets $Ab | Capital Requirement $Am | Equivalent Risk Weight |
|---|---|---|---|
| ***Funded assets*** | | | |
| Cash and liquid assets | 2.3 | 16 | 9% |
| Loan assets[1] | 1.3 | 115 | 109% |
| Assets held for sale | 0.1 | 72 | 655% |
| Debt investment securities | 0.2 | 5 | 40% |
| Co-investment in Macquarie-managed funds and equity investments | 3.8 | 1,854 | 607% |
| Co-investment in Macquarie-managed funds (relating to investments that hedge DPS plan liabilities) | 0.1 | | |
| Property, plant & equipment and intangibles[2] | 0.9 | 292 | 426% |
| Non-Banking Group deposit with MBL | 1.7 | | |
| Net trading assets | 1.4 | | |
| Net trade debtors | 0.5 | | |
| **Total Funded Assets** | **12.3** | **2,354** | |
| ***Self-funded and non-recourse assets*** | | | |
| Self-funded trading assets | 0.0 | | |
| Broker settlement balances | 5.8 | | |
| Derivative revaluation accounting gross-ups | 0.1 | | |
| Working capital assets | 3.4 | | |
| **Total self-funded and non-recourse assets** | **9.3** | | |
| **TOTAL NON-BANKING GROUP ASSETS** | **21.6** | | |
| Off balance sheet exposures, operational, market and other risk, and diversification offset[3] | | 410 | |
| **NON-BANKING GROUP CAPITAL REQUIREMENT** | | **2,764** | |

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

# D Appendix

## Glossary

**Macquarie Group Limited**

Result Announcement for the year ended 31 March 2012

27 April 2012 – Presentation to Investors and Analysts

# Glossary

| | |
|---|---|
| $A | Australian Dollar |
| $C | Canadian Dollar |
| $US | United States Dollar |
| € | Euro |
| 1H10 | Half Year ended 30 September 2009 |
| 1H11 | Half Year ended 30 September 2010 |
| 1H12 | Half Year ended 30 September 2011 |
| 2H10 | Half Year ended 31 March 2010 |
| 2H11 | Half Year ended 31 March 2011 |
| 2H12 | Half Year ended 31 March 2012 |
| ADI | Authorised Deposit -Taking Institution |
| Approx. | Approximately |
| APRA | Australian Prudential Regulatory Authority |
| ANZ | Australia and New Zealand |
| ASX | Australian Securities Exchange |
| AUD | Australian Dollar |
| AUM | Assets Under Management |
| AVS | Available for Sale |
| BIS | Bank for International Settlements |
| BFS | Banking and Financial Services |
| CAF | Corporate and Asset Finance |
| CCB | Capital Conservation Buffer |
| CET1 | Common Equity Tier 1 |
| CHESS | Australian Clearing House and Electronic Sub-Register System |
| CMA | Cash Management Account |
| CMT | Cash Management Trust |
| CVA | Credit Valuation Adjustment |
| DEFT | Direct Electronic Funds Transfer |
| DCM | Debt Capital Markets |
| DPS | Dividend Per Share |
| DRP | Dividend Reinvestment Plan |
| DTA | Deferred Tax Asset |
| ECAM | Economic Capital Adequacy Model |
| ECM | Equity Capital Markets |
| ECS | Exchangeable Capital Securities |
| EMEA | Europe, the Middle East and Africa |
| EPS | Earnings Per Share |
| EUM | Equity Under Management |
| Excl. | Excluding |
| FICC | Fixed Income, Currencies and Commodities |
| FIG | Financial Institutions Group |
| FT | Financial Times |
| FUA | Funds Under Administration |
| FUM | Funds Under Management |
| FX | Foreign Exchange |
| FY07 | Full Year ended 31 March 2007 |
| FY09 | Full Year ended 31 March 2009 |
| FY11 | Full Year ended 31 March 2011 |
| FY12 | Full Year ended 31 March 2012 |

# Glossary

| | |
|---|---|
| FY13 | Full Year ended 31 March 2013 |
| G10 | Group of Ten Industrialised Nations |
| GDR | Global Depository Receipt |
| HFS | Held For Sale |
| HK | Hong Kong |
| HR | Human Resources |
| ILFC | International Lease Finance Corporation |
| IPO | Initial Public Offering |
| IT | Information Technology |
| ITG | Information Technology Group |
| JV | Joint Venture |
| LNG | Liquefied Natural Gas |
| M&A | Mergers and Acquisitions |
| MacCap | Macquarie Capital |
| MAF | Macquarie AirFinance |
| MALT | Macquarie Asset Leasing Trust |
| MBL | Macquarie Bank Limited |
| MEAP | Macquarie Essential Assets Partnership |
| MEC | Metals and Energy Capital |
| MEREP | Macquarie Group Employee Retained Equity Plan |
| MFG | Macquarie Funds Group |
| MGL | Macquarie Group Limited |
| MGPA | Macquarie Global Property Advisers |
| MIRA | Macquarie Infrastructure and Real Assets |

| | |
|---|---|
| MIS | Macquarie Income Securities |
| MSG | Macquarie Securities Group |
| MPW | Macquarie Private Wealth |
| No. | Number |
| Net profit contribution | Operating Income less Operating Expenses |
| NPAT | Net Profit After Tax |
| NZ | New Zealand |
| Operating Income | Revenues less those expenses directly attributable to the revenues |
| Pcp | Prior Corresponding Period |
| P&L | Profit and Loss |
| PPE | Property, Plant & Equipment |
| PPP | Public Private Partnership |
| REB | Real Estate Banking |
| ROE | Return on Equity |
| RWA | Risk Weighted Assets |
| SME | Small and Medium Enterprises |
| ST | Short Term |
| TMET | Telecommunications, Media, Entertainment and Technology |
| UK | United Kingdom |
| US | United States of America |
| VaR | Value at Risk |

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# Macquarie Group Limited