

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

Telephone (61 2) 8232 3333
Facsimile (61 2) 8232 7780
Telex 122246
Internet <http://www.macquarie.com.au>
DX 10287 SSE
SWIFT MACQAU2S

Treasury 8232 3600 Facsimile 8232 4227
Foreign Exchange 8232 3666 Facsimile 8232 3019
Metals and Mining 8232 3444 Facsimile 8232 3590
Futures 9231 1028 Telex 72263
Debt Markets 8232 8569 Facsimile 8232 8341
Agricultural Commodities 8232 7672 Facsimile 8232 3633

ASX/Media Release



MACQUARIE EXPECTS RECORD FULL YEAR RESULT

Key points

- **Expects record full year profit of at least \$A1.8b, 23% up on prior year, subject to market conditions**
- **Second half result expected to be at least in line with prior year second half result of \$A733 million**
- **Macquarie remains very profitable, well capitalised and well funded**
- **No unusual trading exposures**
- **Continuing to take strategic growth initiatives**
- **Dividend policy reaffirmed at a 50-60% target annual payout ratio**

SYDNEY, 6 February 2008 – Macquarie Group Limited (Macquarie, ASX:MQG)

Managing Director and Chief Executive Officer Allan Moss said today that subject to market conditions, Macquarie's profit for the year to 31 March, 2008 is expected to be at least \$A1.8 billion, which would be 23% up on the prior year.

Speaking at Macquarie's Operational Briefing to investors and analysts in Sydney today, Mr Moss said that as previously advised, the second half to 31 March, 2008 is expected to be at least in line with the \$A733 million reported for the second half of the 2007 financial year, but down on the very strong first half because of changed market conditions and a lower level of asset sales.

"Macquarie remains very profitable, well capitalised and well funded. Our holdings of cash and liquid securities are currently more than three times normal liquidity levels. We continue to record strong market shares and are experiencing continued good volumes in most businesses," he said.

“All groups reported a profit for the third quarter ended 31 December 2007. We have no unusual trading exposures and no unusual concerns with credit quality. Funding costs, however, have increased.

“Overall activity remained reasonable during the quarter despite volatile market conditions. Macquarie continues to pursue strategic growth initiatives.

“However, conditions remain challenging in credit markets and, as foreshadowed at our half year results announcement in November 2007, the effects have flowed through to equity markets. This has especially affected listed real estate funds,” Mr Moss said.

Mr Moss noted that the total market value of Macquarie’s investments in listed specialist funds and listed fund managers was \$A403 million above book value at 31 January 2008. However, the market values of most positions in listed real estate funds are currently below book value. Any potential provision on investments in real estate funds would be assessed as part of the year-end reporting process.

If all current unrealised losses on these funds are recognised (approximately \$A230 million) the impact on net profit would be approximately \$A70 million.

The current full year guidance for the 2008 financial year takes into account any potential provision for investments in listed real estate funds.

During the third quarter to 31 December 2007, Mr Moss said that Macquarie experienced:

- Reasonable mergers and acquisitions volumes in Asia and Australia;
- Good equity capital market volumes in Australia, Asia and Canada;
- Continuing high broking volumes in Australia and Asia, despite weaker indices;
- Continued good retail broking volumes;
- Good volumes across treasury and commodities businesses;
- Some decline in interest in equity derivatives in Australia and Asia in December;
- Infrastructure and real estate financings being completed on reasonable terms;
- Continued strong specialist fund raisings with \$A5.0 billion raised during the quarter predominantly for unlisted international funds; and
- Continued investment in staff, with total staff now approximately 12,400; approximately 5,000 of these are outside Australia.

In addition, Mr Moss said that assets under management rose two percent to \$A228 billion over the quarter and that there were no significant asset realisations during the period.

He said the dividend policy remains unchanged at a 50-60% target annual payout ratio.

Mr Moss reiterated that Macquarie's main business focus is making returns by providing services to clients rather than principal trading. He noted that Macquarie has no material exposures not already known to investors, no problem trading exposures, no material problem credit exposures, no subprime lending and no problems with debt underwritings.

Commenting on Macquarie's operating groups for the current half year to date, Mr Moss said:

- **Macquarie Capital** (formerly Investment Banking Group) expects the second half to be down on the second half of 2007 due to lower asset realisations, but expects the full year result to be above the prior year. There were reasonable M&A volumes in Australia and Asia with a reasonable pipeline expected. The period saw good ECM volumes in Australia, Asia and Canada. The ECM pipeline in those markets is expected to be reasonable over the next 12 months despite the short-term impact of equity market volatility. Broking volumes in Australia and Asia continue to be high.
Assets in Macquarie Capital Funds are performing well and the funds are continuing to invest in quality assets. Refinancings continue to be completed on reasonable terms. Recent strategic initiatives include the acquisition of Orion Securities Inc in Canada and CIT Systems Leasing in the US.
- The **Treasury and Commodities Group** expects the second half to be broadly in line with the 2007 second half. The 2008 year result is expected to also be broadly in line with 2007, which had very strong results across all businesses and included a significant oil and gas realisation. The group is benefiting from ongoing market volatility and increased volumes.
- The **Equity Markets Group** expects the second half to be broadly in line with the prior year and the full year to be substantially up on the 2007 full year result. There has been a decline in product issuance volumes in Asia and Australia due to volatile market conditions.
- The **Real Estate Group** expects the second half to be well down on the second half of 2007 due to lower asset realisations. The full year result is expected to be broadly in line with the prior year, excluding the Goodman Group realisation,

before any potential provision on real estate fund investments. Current conditions in global real estate investment trust markets are challenging but the assets in the funds are operating soundly with high occupancy and strong lease profiles.

- The **Financial Services Group** expects the second half to be marginally up on the second half of 2007 and for the year to be well up on the prior year. There are continuing good retail broking volumes, although they are down from the highs recorded for the first half. Recent equity market volatility has had an impact on funds under management / funds under administration but inflows remain strong.
- The **Funds Management Group** expects the second half to be down on the previous corresponding second half which benefited from a high level of performance fees. The full year result (which will include the realisation of Macquarie Investment Management in Korea) is expected to be very substantially up on the prior year. A strong relative performance has continued in equities and credit funds performed well relative to peers. There have been some outflows in global real estate funds in line with the industry.
- The **Banking and Securitisation Group** expects the second half to be substantially down on the 2007 second half due to the increased cost of funding in mortgages and the sale of a child care business in the prior corresponding period. The full year result is expected to be down on the 2007 full year result due to a lower contribution from the mortgages business. While the mortgages business has good credit quality, access to securitisation markets has been limited and funding costs have increased. The mortgages business contributed less than one percent to Macquarie Group's 2007 full year profit. Investment lending and relationship banking businesses continue to perform well.

Mr Moss told the briefing that Macquarie remains well placed as it is well funded with a strong capital base providing the ability to capture strategic initiatives, it is diversified by geography, business and product, and it has committed, quality staff.

AUTHORITY TO CONDUCT BANKING ACTIVITIES IN THE UK AND EUROPE

Macquarie advises that it has been authorised by the UK Financial Services Authority to conduct banking activities in the UK and Europe, effective 4 February 2008.

Macquarie Group Chief Financial Officer Greg Ward said the ability to conduct banking activities in the UK and Europe reflects Macquarie's growing overseas presence and flexibility for future international growth.

Macquarie Bank International Limited (MBI), a subsidiary of Macquarie Bank Limited, will have an initial capital base of £200 million and is licensed for a wide range of permissions including deposit taking and lending activities, dealing as principal and agent in most products and acting as fund manager. MBI will initially be largely comprised of trading businesses.

Macquarie expects to announce its full year result on 20 May 2008.

Contacts:

Paula Hannaford, Macquarie Group Corporate Communications +612 8232 4102

Richard Nelson, Macquarie Group Investor Relations +612 8232 5008