



**ASX/Media Release**

**MACQUARIE AGM AND 1<sup>ST</sup> QTR UPDATE**

**SYDNEY, 30 July 2010** – Macquarie Group Limited (ASX:MQG, ADR: MQBKY) Managing Director and Chief Executive Officer Nicholas Moore said today that earnings in the June 2010 quarter were slightly ahead of a subdued June 2009 quarter.

Speaking ahead of Macquarie's 2010 annual general meeting, Mr Moore said a lowering in confidence levels across all markets has meant that the global investment banking fee pool, which includes debt capital markets, equity capital markets, and mergers and acquisitions, was the lowest June quarter global investment banking fee pool since 2004<sup>1</sup>.

Weak global market conditions caused Macquarie Securities, Macquarie Capital and Fixed Income, Currencies and Commodities to all make lower contributions to the June 2010 quarter result compared to the prior corresponding period (pcp). Corporate and Asset Finance, Macquarie Funds Group and Banking and Financial Services all made higher contributions to June 2010 quarter earnings as a result of the successful implementation of initiatives undertaken over the last 12 to 18 months, he said.

While there were no significant one-off items during the June quarter, high levels of cash continue to impact current earnings, Mr Moore said.

Assets under management increased to \$A343 billion at 30 June 2010 from \$A326 billion at 31 March 2010 primarily due to foreign exchange movements since March 2010.

Mr Moore said Macquarie's funded balance sheet remains strong with cash and liquid assets of \$A29 billion, on a proforma basis, including funds from the Macquarie Cash

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<sup>1</sup> Source: Dealogic

Management Trust (\$A9.2 billion at 30 June 2010) which will convert to the Macquarie Cash Management Account on 31 July.

Group capital was \$A11.8 billion at 30 June 2010, a \$A3.1 billion buffer of capital in excess of the group's minimum regulatory capital requirements.

As foreshadowed, during the quarter, capital has been deployed across the Group to support business growth, particularly in lending and leasing such as the GMAC auto leasing portfolio and the ILFC aircraft leasing portfolio.

Capital ratios in the banking group remain strong with Tier 1 at 10.3% and total capital at 11.5%.

### **Business Highlights**

In commenting on the Group's start to the 2011 financial year, Mr Moore noted that whilst lower confidence has led to a difficult operating environment, Macquarie's businesses have been able to maintain their market share across key markets. The following represent some highlights for the quarter:

- Macquarie Securities – No.1 cash equities broker in Australia with 10.6% market share (year to 30 June 2010). Increased market share in the major markets of Asia, US and Canada.
- Macquarie Capital – No.1 ranking for Australian M&A for six months to 30 June 2010, joint bookrunner for Agriculture Bank of China IPO (Hong Kong and China).
- Macquarie Funds – 2010 Money Management – Fixed Interest Fund Manager of the Year, maintained top five ranking among Australian investment managers. In the US, Delaware Investments received nine 2010 Lipper Awards for superior performance.
- Fixed Income, Currencies and Commodities – Maintained No. 5 ranking in the natural gas market in the US. Expansion of Asian presence, US credit trading and Europe emerging markets offering.
- Corporate and Asset Finance – Loan and asset portfolio increased by 51% on pcp and by 9% on the March 2010 quarter. Acquisition of GMAC auto finance portfolio and ILFC aircraft leasing portfolio. Approximately 62% of gross new loans and asset finance has been to Australian companies<sup>2</sup>.
- Banking and Financial Services – Maintained No.1 ranking among Australian retail full service brokers. Total retail deposits up 20% on pcp to \$A15.9 billion.

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<sup>2</sup> Since the introduction of the government guarantee in November 2008

## Outlook

“As foreshadowed, uncertain market conditions make short-term forecasting very difficult,” Mr Moore said.

“These market conditions are significantly impacting activity levels in Macquarie Securities, Macquarie Capital and Fixed Income, Currencies and Commodities. Accordingly, unless the market conditions experienced in the June 2010 quarter improve, we do not expect these groups to meet FY10 results in FY11.

“The full year performances of Corporate and Asset Finance, Macquarie Funds, and Banking and Financial Services are expected to exceed FY10,” he said.

Overall, the Group result is expected to have fewer one-off items than FY10. The FY11 result continues to be impacted by the cost of our conservative approach to funding and capital.

Mr Moore said that over the medium term, Macquarie continues to be well-placed due to its deep expertise in major markets, growing global market share, strength from its diversity and mix of businesses, balance sheet positioned for growth and its effective risk management culture.

## Highlights from the address of Macquarie Lead Independent Director Kevin McCann

Macquarie Lead Independent Director, Kevin McCann, said Macquarie performed positively in the stronger market conditions experienced over the year to March 2010, reporting profit after tax of \$A1.05 billion, which was an increase of 21% on the previous year, with all operating groups and divisions reporting improved results on the prior year.

However, he said while there had been a general improvement in market conditions and overall sentiment in the year to March 2010, in recent months the disruption stemming from Europe and concerns over the pace of recovery in the US economy, has resulted in increased uncertainty across most financial markets.

Mr McCann also outlined the activities of the Macquarie Group Foundation, which this year celebrates its 25<sup>th</sup> anniversary.

“Over the past 25 years, the Foundation and Macquarie staff have contributed \$A120 million to more than 1,000 community organisations around the world. In addition, Macquarie staff have devoted countless hours of their time as volunteers, fundraisers and pro bono advisers,” Mr McCann said.

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