



ASX / Media Release

MACQUARIE GROUP ANNUAL GENERAL MEETING AND FIRST QUARTER UPDATE

Key points:

- **contribution¹ from operating groups in 1Q12 ahead of subdued 1Q11 but down on 4Q11 due to weaker market conditions**
- **Group capital of \$A11.6 billion, \$A2.9 billion in excess of minimum regulatory capital requirement**
- **funded balance sheet remains strong**
- **continue to expect an improved result for FY12 on FY11 if market conditions for FY12 are not materially worse than FY11**
- **currently expect contribution from operating groups in 1H12 to be broadly in line with pcp, given subdued market conditions are likely to continue for the first half due to a higher tax rate in 1H12 and not having the benefit of the MAP AVS reclassification included in 1H11, 1H12 result likely to be lower than 1H11**

SYDNEY, 28 July 2011 – Macquarie Group (ASX: MQG; ADR: MQBKY) Managing Director and Chief Executive Officer Nicholas Moore said today that the contribution made by operating groups during the first quarter 2012 financial year (1Q12) was ahead of a subdued first quarter of the 2011 financial year (1Q11), but down on the prior quarter (4Q11) due to weaker market conditions.

Speaking ahead of Macquarie's 2011 annual general meeting, Mr Moore said: "Compared with the prior corresponding period (1Q11), an increased contribution from our annuity-style businesses in 1Q12 more than offset the lower contribution from those impacted by subdued market conditions."

The 1Q12 contribution from Macquarie Funds Group (MFG), Corporate and Asset Finance (CAF) and Macquarie Capital was up on 1Q11. MFG benefited from continued inflows due to strong investment performance. CAF's asset and lease portfolios, up 11 per cent on the prior corresponding period (1Q11), performed strongly during the quarter. Macquarie Capital

completed 114 deals in 1Q12 valued at \$A24 billion, compared with 118 deals in 1Q11 valued at \$A16 billion.

The contribution from Banking and Financial Services (BFS) in 1Q12 was in line with 1Q11. Macquarie remained the number one-ranked retail full-service broker in Australia for the quarter.

The contribution from Macquarie Securities Group (MSG) and Fixed Income, Currencies and Commodities (FICC) in 1Q12 was down on 1Q11. MSG was impacted by quieter equity markets and challenging equity capital markets conditions. FICC experienced reduced volumes and lower volatility in most markets.

The Group had \$A308 billion of assets under management at June 2011, which was broadly in line with March 2011. Net inflows and equity movements were offset by decreases due to foreign exchange movements.

While there were no significant one-off items during the quarter, high levels of cash continued to impact the Group's current earnings.

Group capital was \$A11.6 billion at 30 June 2011, a \$A2.9 billion buffer in excess of Macquarie's minimum regulatory capital requirements.

The Tier-1 capital ratio for the Banking Group was 11.5 per cent, up from 10.7 per cent at 31 March 2011. Total capital was 15 per cent, up from 12.4 per cent at 31 March 2011. Macquarie's current assessment is that it has sufficient capital to meet the Basel III capital and leverage ratio requirements.

First quarter business highlights

In commenting on the Group's start to the 2012 financial year, Mr Moore noted the following highlights:

- MFG: reported \$A5.1 billion of net inflows including \$A4.6 billion in Macquarie Investment Management and more than \$A700 million in Macquarie Infrastructure and Real Assets funds. Notably, during the quarter the group was named as having been awarded the highest number of Australian institutional mandates for the year to 31 March 2011, and the China Infrastructure fund achieved first close with \$US729 million in available funds.
- CAF: continued to expand its white label leasing programs in Australia, Asia, Europe and the United States through manufacturers and vendors. During the quarter CAF established a mining equipment finance business, and extended finance through the customer value

chain to motor vehicle manufacturers and dealers in Australia and technology distributors globally.

- BFS: increased retail deposits by 75 per cent on the prior corresponding period (1Q11) to \$A27.9 billion at June 2011. This included the \$A9.6 billion of Cash Management Trust funds that were transferred to the Cash Management Account in July 2010. Total funds under management, advice or administration was up four per cent on the prior corresponding period (1Q11).
- MSG: increased its market share in equity capital markets in Australia, Asia, Europe and the United States on the prior corresponding period (1Q11). It is now ranked number 15 globally in Thomson Reuters' ECM league tables, up from 29 in the prior corresponding period (1Q11). MSG also grew its cash equities market share in India, Thailand and Singapore, compared to the prior corresponding period (1Q11).
- Macquarie Capital: completed a number of notable deals during the quarter including Royal Adelaide Hospital (ANZ), Minmetals Resources (Asia), Powerland (EMEA), and American International Group (the Americas). Deals completed demonstrate the benefit of the build-out of the global platform across advisory, equity capital markets and debt capital markets.
- FICC: completed the first phase of the build-out of its Asian Markets business and maintained its position as the number four-ranked physical gas marketer in North America. The grant of a Macquarie Bank Limited Singapore Branch Licence and a Dubai Category 4 Branch Licence will assist in further expansion.

Outlook

Mr Moore said: "Consistent with our statement at the FY11 result announcement on 29 April 2011, we continue to expect an improved result for FY12 on FY11, if market conditions for FY12 are not materially worse than FY11.

"Given subdued conditions are likely to continue for the first half of the 2012 financial year (1H12) we currently expect the contribution from operating groups in 1H12 to be broadly in line with the prior corresponding period (1H11).

Due to a higher tax rate in 1H12 and the absence of the benefit of the MAp AVS reclassification included within the prior corresponding period (1H11), the 1H12 result is likely to be lower than the first half of the 2011 financial year. The second half of the 2012 financial year is likely to be impacted by the cash amount to be made available to investors noted within MAp's recent announcement.

Mr Moore noted: "The FY12 result also remains subject to a range of other challenges including movements in foreign exchange rates, increased competition across all markets, the cost of our continued conservative approach to funding and capital, and regulation, including the potential for regulatory changes.

Medium term

“Macquarie is increasingly well-positioned to deliver superior performance in the medium-term. We continue to adapt our portfolio mix to changing market conditions, we continue to have a strong and conservative balance sheet and we have a proven risk management framework and culture.”

Highlights from the address of Chairman, Kevin McCann

In providing an overview of FY11, Macquarie Group Chairman, Kevin McCann, said that Macquarie’s performance for the year ended 31 March 2011 reflected improved second-half conditions, with the Group reporting a full-year profit of \$A956 million.

Mr McCann paid tribute to Macquarie’s former Chairman, David Clarke AO, who passed away earlier this year. He recognised the pivotal role that Mr Clarke played in setting the policies and practices that have driven Macquarie’s growth over the past four decades, as well as his enduring philanthropic legacy.

Mr McCann recognised the achievements of the Macquarie Group Foundation, which Mr Clarke formed more than 30 years ago.

“Since inception, the Macquarie Group Foundation, together with Macquarie staff, has contributed more than \$A145 million to not-for-profit organisations globally as well as countless hours of time in volunteering and pro bono support,” Mr McCann said.

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¹ ‘contribution’ represents management accounting profit before unallocated costs, profit share and income tax