MACQUARIE

# Macquarie Group Limited

**2011 Annual General Meeting**

28 July 2011

# Disclaimer

## Disclaimer

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# Macquarie Group Limited

**2011 Annual General Meeting**

Kevin McCann AM, Chairman

28 July 2011

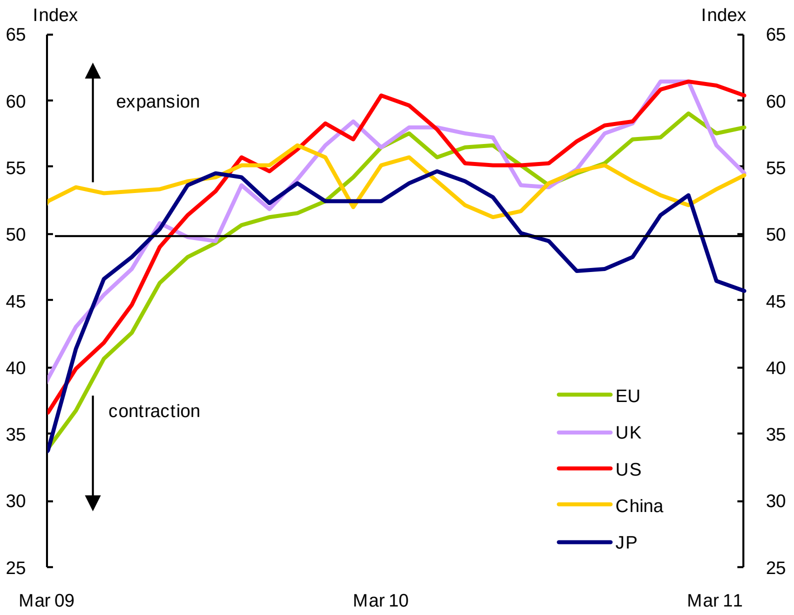
# David Clarke

# Global financial market conditions

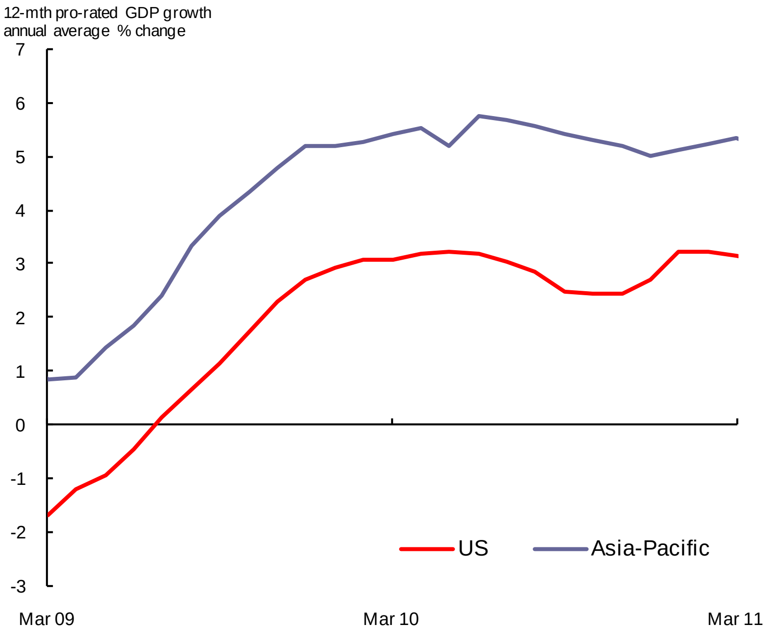
- This time last year, we reflected on a general improvement in market conditions and sentiment post the extreme financial shocks of 2008 and 2009
- However, uncertainty re-emerged in 1H11 due to concerns over European sovereign debt and the strength of the US recovery
- Whilst this uncertainty continued throughout 1H11, we saw an improvement in 2H11

# FY11 saw some improvement in market conditions

**PURCHASING MANAGERS INDEX[1]**



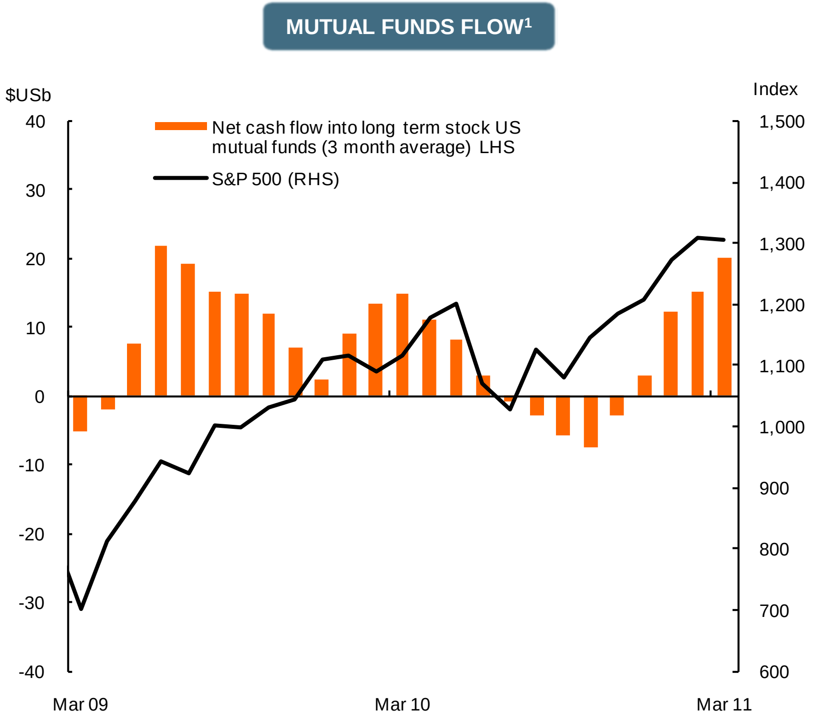

**GDP[2]**

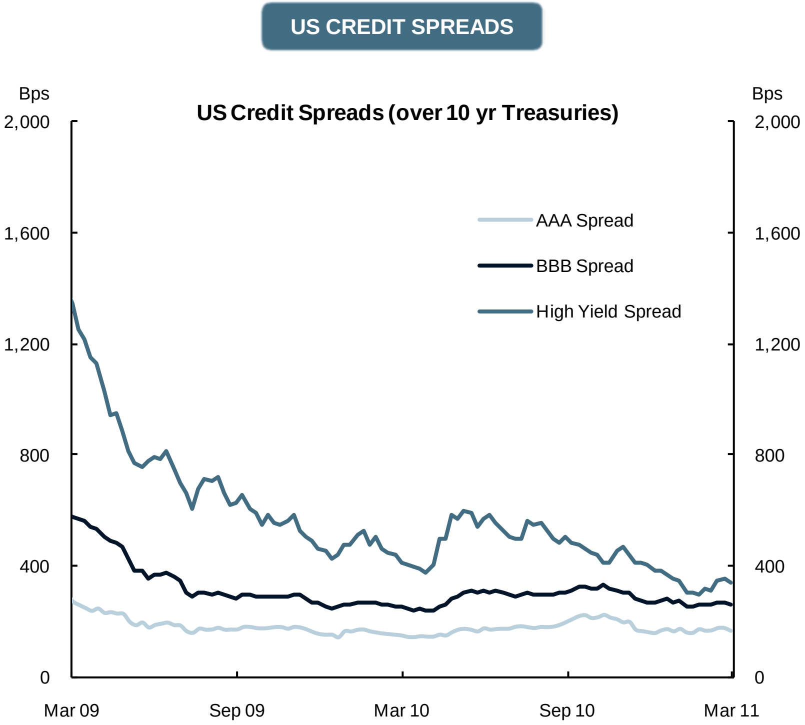





1. Purchasing Managers Index: An index of monthly manufacturing activity. Source: US: ISM, EU/UK: Markit, China: National Bureau of Statistics, JP: Nomura JMMA. 2. GDP: Shows pro-rated consensus GDP forecasts for the year ahead. Source: Consensus Economics.

# FY11 saw some improvement in market conditions



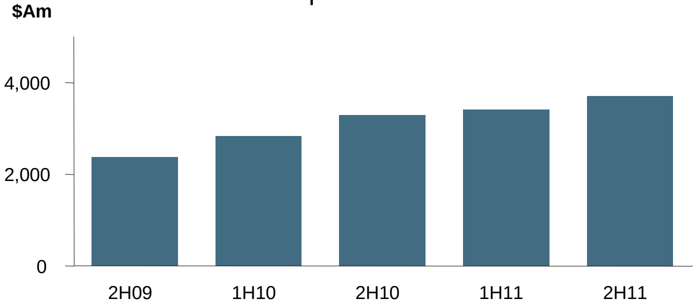




Source: Datastream. 1. Mutual funds flow: Shows the net inflow/outflow of money into long-term mutual funds and the relationship with the S&P 500 (US equity market).

# Financial performance reflected improved market conditions in 2H11 compared to 1H11

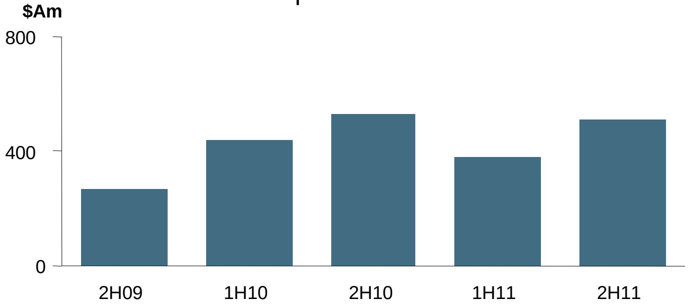
**FY11 Operating income of $A7,644m**

2H11 up 9% on 1H11



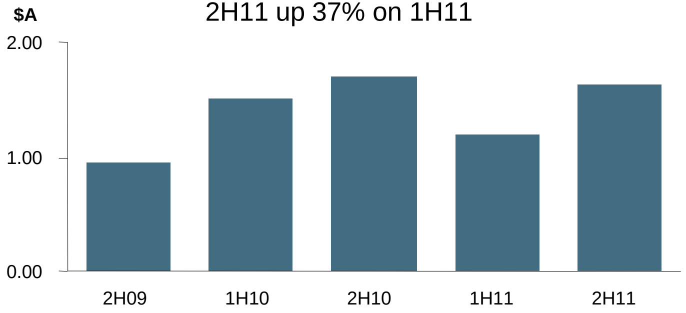

**FY11 Profit of $A956m**

2H11 up 37% on 1H11



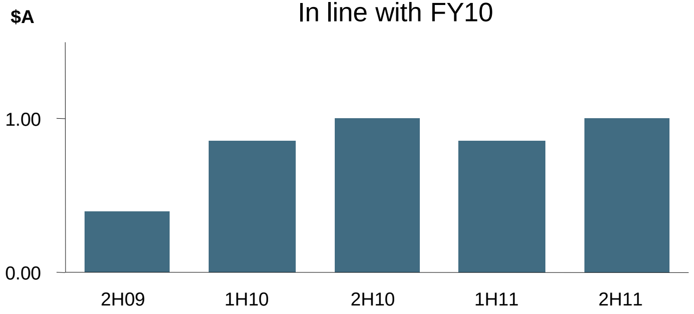

**FY11 Earnings Per Share of $A2.83**

2H11 up 37% on 1H11




**FY11 Dividends Per Share of $A1.86**

In line with FY10

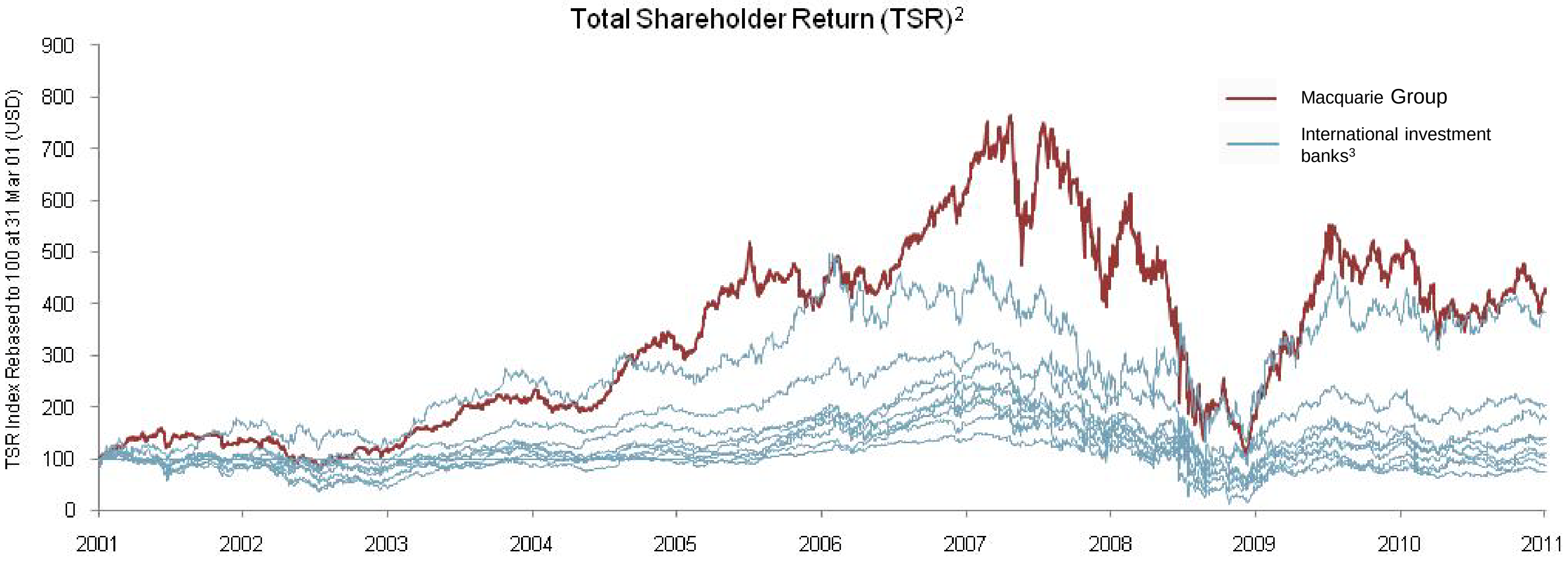


# Dividends

- FY11 dividend set at $A1.86, in line with FY10 ~ 67% payout ratio
  - 2H11 dividend $A1.00, up from 1H11 dividend of $A0.86
  - Dividends remain unfranked
- Dividend policy remains 50 – 60% annual payout ratio

# Macquarie's 10 year average return on equity and total shareholder return continue to outperform industry average

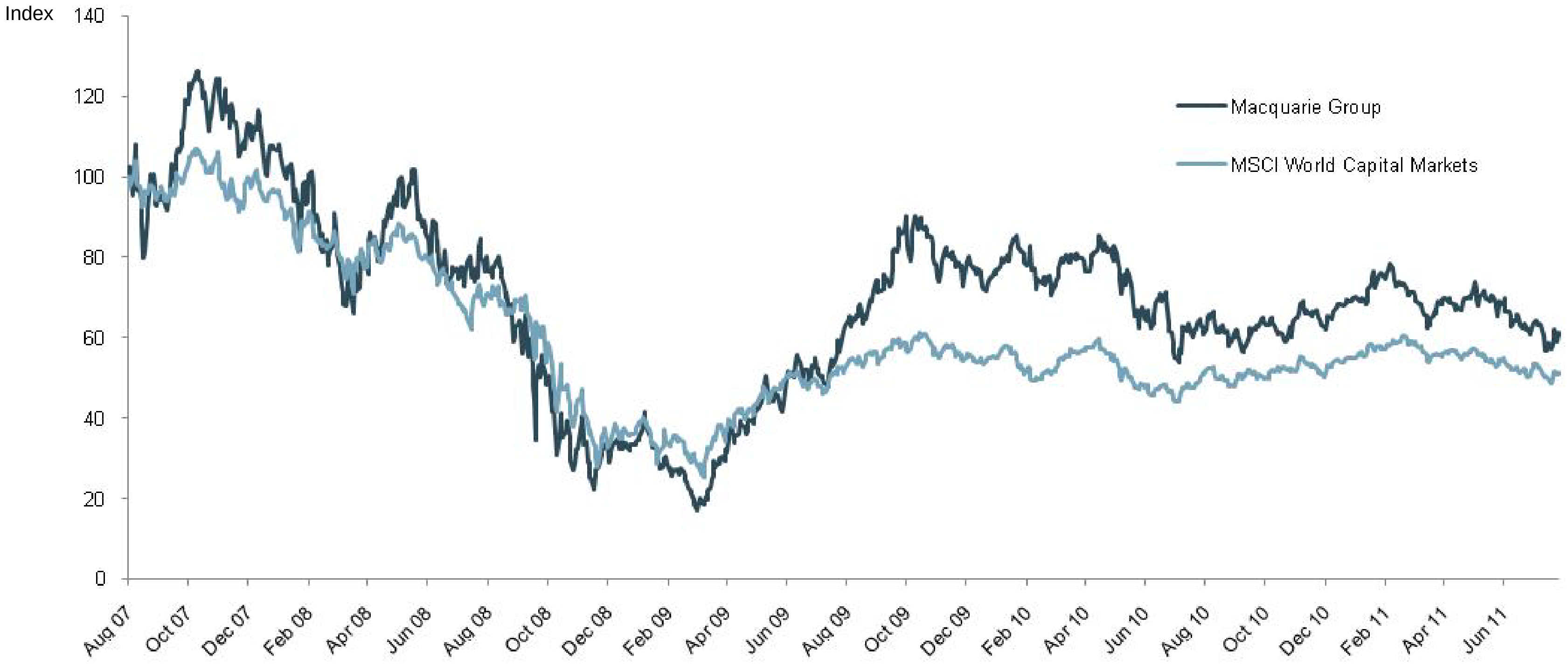
## Macquarie's 10 year average Return on Equity: 19.5% compared to industry average[1]: 10.7%




1. Industry return on equity (ROE) includes ROE of investment banks where this information is publicly available. Average of most recent 10 years, except in cases where 10 years of continuous data is not available for an investment bank, in which case the longest time period for which continuous data is available for that investment bank has been used. Source: Bloomberg. 2. Source: Bloomberg. 3. International investment banks comprise Barclays, Credit Suisse, Deutsche Bank, Goldman Sachs, Jefferies, JPMorgan Chase, Lazard, Morgan Stanley and UBS.

# Macquarie's total shareholder return continues to track global financials

Since the GFC, Macquarie has outperformed the MSCI World Capital Markets Index by 10%[1]






1. Source: Factset. MSCI World Capital Markets and Macquarie Group information, presented on a total return basis, quoted in USD and rebased to 1 Aug 07.

# Supporting communities for over 26 years

Staff driven initiatives supported by the Macquarie Group Foundation

| Volunteering | Financial support | Skills transfer |
|---|---|---|
|  |  |  |
| 1,300+ community organisations | $A145 million+ over 26 years | Leveraging our expertise |

# Macquarie Group Limited

## 2011 Annual General Meeting

28 July 2011

# Macquarie Group Limited

**Overview of the Result Announcement for the year ended 31 March 2011**

Nicholas Moore, Managing Director and Chief Executive Officer

28 July 2011

# Result reflected improved 2H11 market conditions

| | FY11 vs FY10 | | 2H11 vs 1H11 | |
|---|---|---|---|---|
| Operating income | $A7.6b | ↑ 15% | $A4.0b | ↑ 9% |
| Operating expenses | $A6.4b | ↑ 19% | $A3.2b | Flat |
| Tax expense | $A282m | ↑ 40% | $A197m | ↑ 132% |
| Profit | $A956m | ↓ 9% | $A553m | ↑ 37% |
| Earnings per share | $A2.83 | ↓ 12% | $A1.63 | ↑ 37% |
| Dividend per share | $A1.86 | Flat | $A1.00 | ↑ 16% |
| Return on equity | 8.8% | ↓ from 10.1% | 10.2% | ↑ from 7.4% |

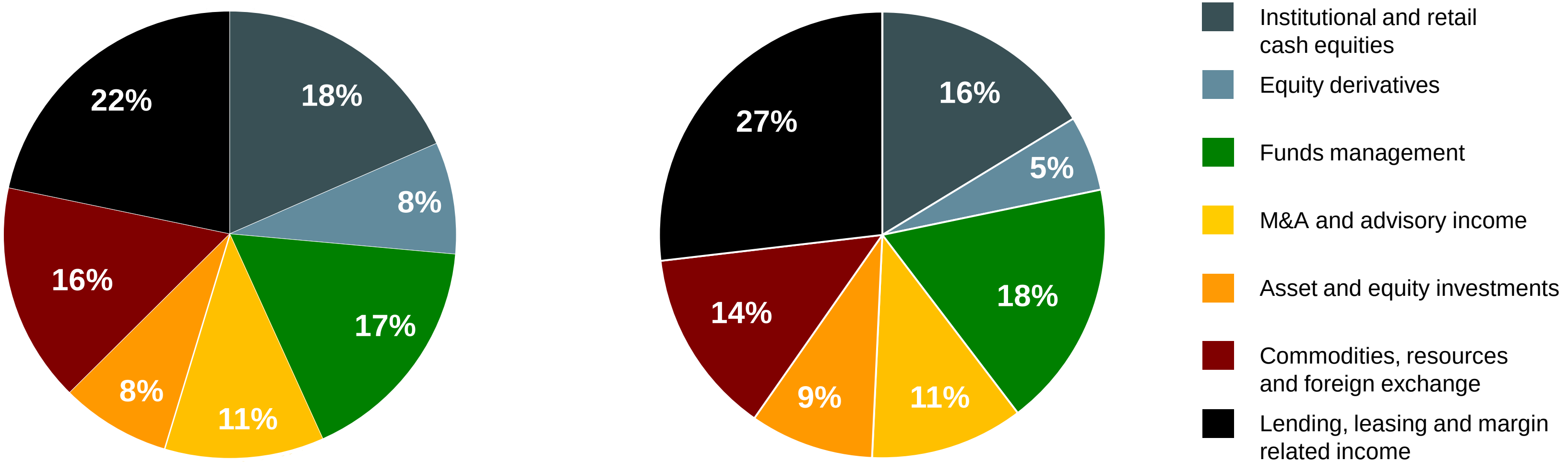
# Diversified income

## Operating income[1] by source

**Increase in income from annuity style businesses[2] more than offset impact from subdued market conditions**

**12 months to 31 March 10**
**$A7.0b**

**12 months to 31 March 11**
**$A7.6b**






1. Operating income before writedowns, impairments, equity accounted gains/(losses) and one-off items. 2. Annuity style businesses primarily represent MFG, CAF and BFS.

# Diversified by region

## International income[1] 60% of total

### Total staff over 15,500[2]; international staff 53% of total

**EUROPE, MIDDLE EAST & AFRICA[3]**

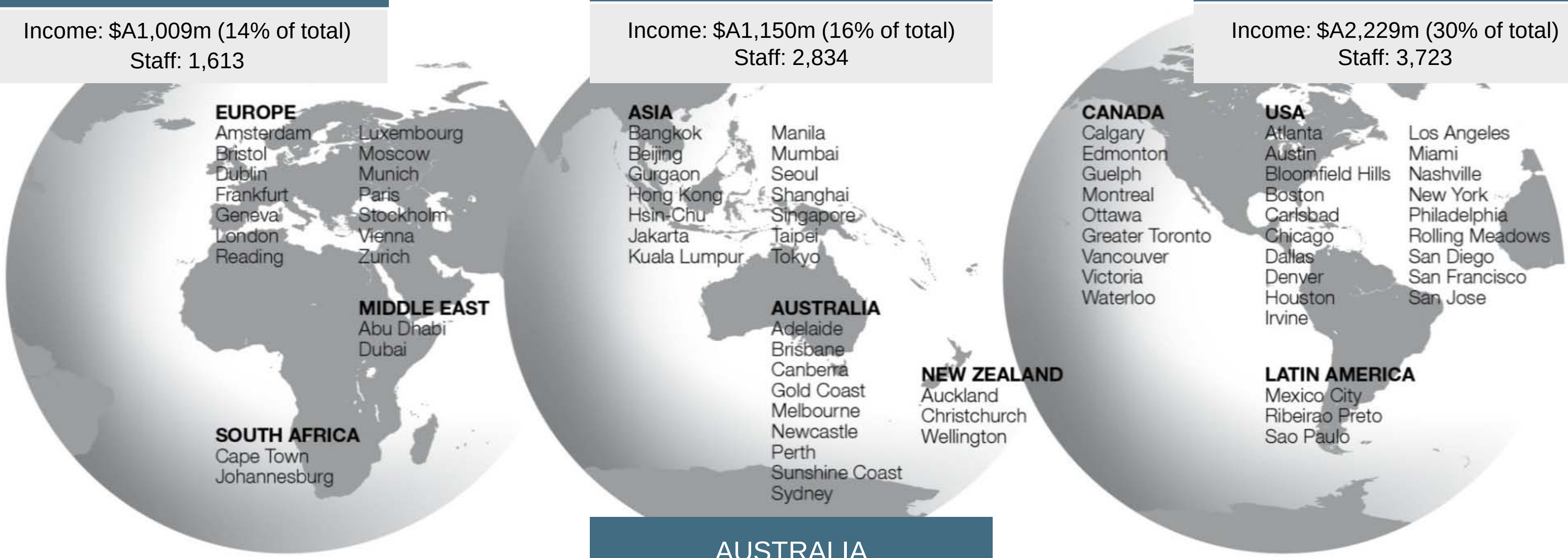
Income: $A1,009m (14% of total)
Staff: 1,613

**ASIA**

Income: $A1,150m (16% of total)
Staff: 2,834

**AMERICAS**

Income: $A2,229m (30% of total)
Staff: 3,723




**AUSTRALIA**

Income: $A2,891m (40% of total)
Staff: 7,386

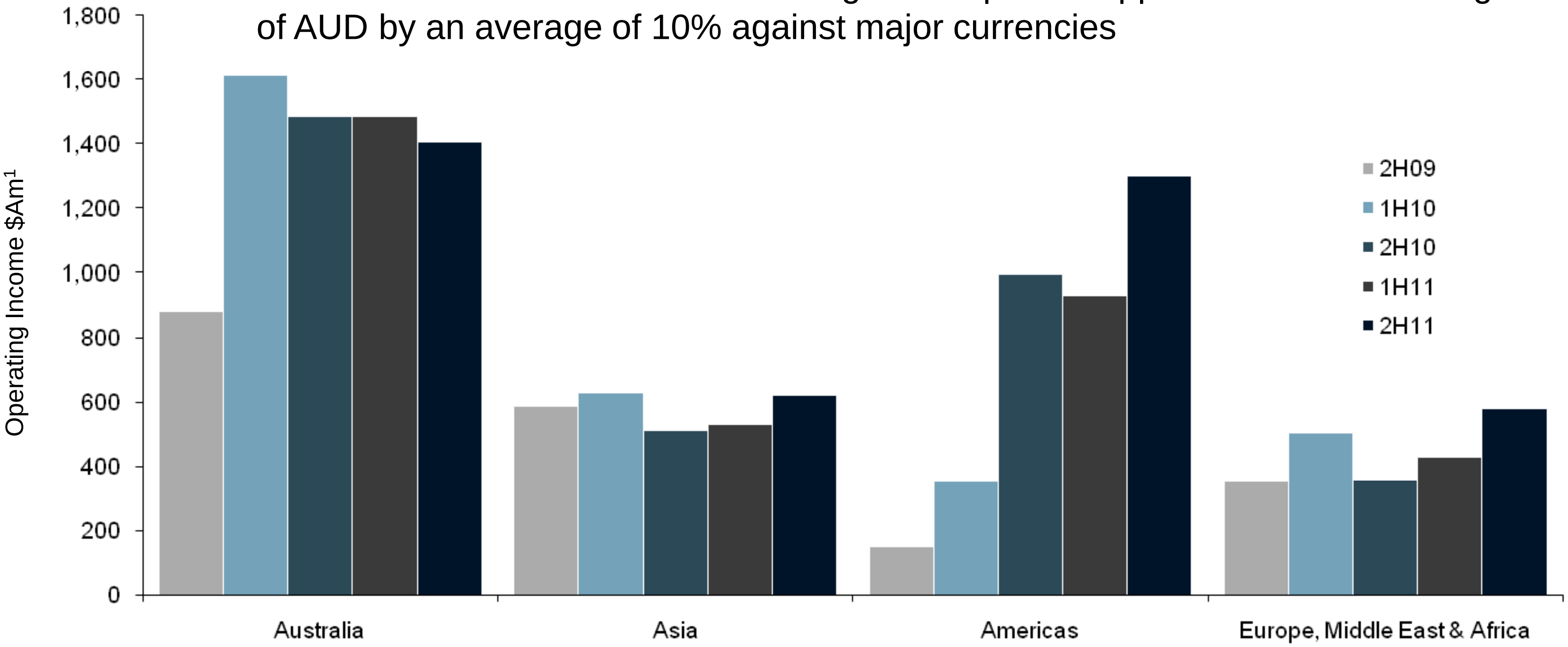
1. Operating income for year to 31 Mar 11. Operating income in each region excludes earnings on capital and other corporate items. 2. Staff numbers at 31 Mar 11. 3. Excludes staff in Macquarie First South joint venture and staff seconded to Macquarie Renaissance joint venture (Moscow).

# Diversified income

## Operating income by region

64% of operating income in 2H11 is generated offshore

– FX translation estimated to have a negative impact of approx. 5% due to strengthening of AUD by an average of 10% against major currencies






1. Operating income excludes earnings on capital and other corporate items.

# Macquarie Funds

## FY11 Operating income[1] of $A1,410m, down 2% on FY10[3]
## FY11 Net profit contribution[2] of $A602m, down 26% on FY10[3]

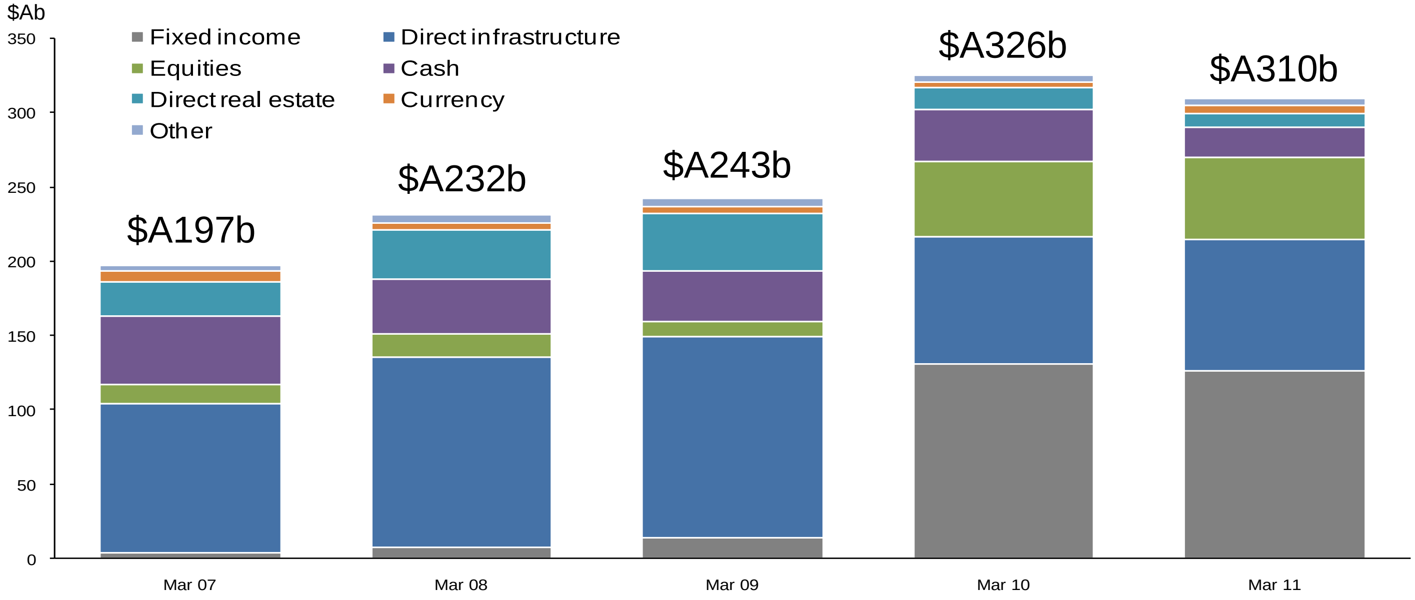
**OPERATING INCOME BEFORE GAINS FROM LISTED FUND INITIATIVES UP 51%**

| | |
|---|---|
| **Fund performance** | Infrastructure Manager of the Year[4], won 20 2011 Lipper Awards for superior performance[5] |
| **Inflows** | Highest number of Australian institutional mandates awarded[6],<br>MIRA ($A2b+), Delaware Investment ($US15b including capital appreciation),<br>Australian retail structured products ($A0.3b) |
| **New product development** | Chinese real estate, Korean private equity, Chinese infrastructure, Global Income Opportunities strategy |
| **MIRA fund investments** | 22 investments representing $A3.5b+ in equity investment |
| **Building for the future** | Continued build out of Asian unlisted funds platform<br>Acquisition: INNOVEST Kapitalanlage AG<br>Successfully expanded wholesale business: US, Europe |

In FY11, Macquarie Capital Funds was transferred out of Macquarie Capital to Macquarie Funds and was renamed Macquarie Infrastructure and Real Assets. Comparative figures have been restated for group restructures undertaken during the year. 1. As reported. 2. This represents management accounting profit before unallocated corporate costs, profit share and income tax. 3. FY10 included significant gains from listed fund initiatives, which were not repeated in FY11. 4. 2010 Annual Financial News' Awards (European Institutional Asset Management) 5. Including 4 group awards (for Delaware Investments and INNOVEST Kapitalanlage AG). 6. Source: Rainmaker Mandate Chaser report for the year to 31 Dec 10.

# Assets under management of $A310b

- Decrease in AUM due to:
  - Impact of CMT transfer into CMA ($A9.6b in Jul 10)
  - Net fund inflows and equity movements of $A21b, more than offset by decrease due to FX of $A27b



# Fixed Income, Currencies and Commodities

FY11 Operating income[1] of $A1,416m, down 2% on FY10

FY11 Net profit contribution[2] of $A575m, down 30% on FY10

## WEAK MARKETS IN 1H11 FOLLOWED BY STRONG 2H11

| | |
|---|---|
| **Metals** | Increased equity realisations on strength in resource equity markets |
| **Agriculture** | Higher client activity on rally in agricultural commodity prices and volatility |
| **Energy** | Depressed natural gas prices limited trading opportunities<br>No.4 physical gas marketer in North America[3] |
| **Fixed Income and FX** | Lower volumes in line with broader market, transformation from Sydney-based, 24-hour currency provider to global business with regional hubs |
| **Building for the future** | Established Asian regional hub in Singapore<br>Extended MBL Seoul Branch to include OTC derivatives<br>Expanded physical oil and established physical base metals business<br>Addition of a commercial mortgage finance and CMBS team in NY |



1. As reported. 2. This represents management accounting profit before unallocated corporate costs, profit share and income tax. 3. PlattsGasDaily (Dec 10).

# Corporate and Asset Finance

FY11 Operating income[1] of $A786m, up 69% on FY10

FY11 Net profit contribution[2] of $A501m, up of 96% on FY10

## ASSET AND LOAN PORTFOLIO OF $A17.3B, UP 22% ON FY10

| | |
|---|---|
| **240,000+** | Total motor vehicle leasing contracts post $A1.0b GMAC acquisition |
| **$US1.6b** | Completed acquisition of ILFC aircraft operating lease portfolio |
| **$A1.5b** | Securitisation issuances: motor vehicle and IT&T equipment |
| **Building for the future** | Continued to access global securitisation markets<br>Continual expansion of global vendor relationships<br>Ongoing pursuit of corporate acquisitions<br>Extended IT&T leasing into Asia<br>Continued growth of UK Smart Metering portfolio |



1. As reported. 2. This represents management accounting profit before unallocated corporate costs, profit share and income tax.

# Macquarie Capital

FY11 Operating income[1] of $A1,001m, up 46% on FY10

FY11 Net profit contribution[2] of $A281m, up significantly on FY10

## 547 ADVISORY DEALS, UP 22%
## DEAL VALUE $A159B, UP 31%

| | |
|---|---|
| **Activity** | Australia/NZ: 83 deals at $A93b, Asia: 81 deals at $A21b<br>EMEA: 57 deals at $A17b, Americas: 326 deals at $A28b |
| **Leading positions** | Australia/NZ: Most Capable ECM Specialist[3], No.2 for completed M&A[4]<br>Asia & Americas: Transportation Deals of the Year[5], PPP Transaction of the Year[6]<br>Multi-award winning deals[7] including: Agricultural Bank of China IPO, Newcrest Mining acquisition of Lihir Gold, Carlyle and TPG's financing for Healthscope |
| **DCM growth** | Extended DCM capabilities across the regions<br>Bookrunner on 15 DCM deals |
| **Building for the future** | Completed first deals: ECM in Japan, high yield bond offering in HK, DCM in Europe, Bookrun IPO in US, Advisory from Moscow office<br>Acquisitions: Presidio Partners, REGAL Capital Advisors |

In FY11, Macquarie Capital Funds was transferred out of Macquarie Capital to Macquarie Funds and was renamed Macquarie Infrastructure and Real Assets. Comparative figures have been restated for group restructures undertaken during the year.
1. As reported. 2. This represents management accounting profit before unallocated corporate costs, profit share and income tax. 3. Peter Lee & Associates, 2010. 4. Thomson Reuters. 5. Sosa-Wonsi Double-Track Rail project in Korea awarded Asia-Pacific Transportation Deal of 2010. Denver Fastracks Eagle P3 project awarded North American Transport Deal of the Year. Source: Project Finance Magazine. 6. Interstate Highway 635 Managed Lanes Project awarded North American PPP Transaction of the year. Source: Infrastructure Investor, 2010. 7. Various sources, including Asiamoney, The Asset, Finance Asia, Insto, Infrastructure Partnerships Australia, IFR Asia, CFO Magazine, Asiamoney, Alpha.

# Banking and Financial Services

FY11 Operating income[1] of $A1,494m, up 19% on FY10
FY11 Net profit contribution[2] of $A275m, up 5% on FY10

## 1 MILLION+ CLIENTS GLOBALLY

| | |
|---|---|
| **#1** | Retail full service broking Australia[3]<br>National Independent Canadian Advisory Firm[4]<br>S&P Fund manager of the Year: Macquarie Professional Series[5] |
| **72%** | Increase in retail deposits due to CMT/CMA conversion |
| **28%** | Increase in Macquarie Professional Series funds |
| **Building for the future** | Continued focus on retail client growth<br>Actively grow base annuity products: mortgages, insurance, wrap, cash |



1. As reported. 2. This represents management accounting profit before unallocated corporate costs, profit share and income tax. 3. IRESS: consideration traded and volume FY11. 4. Investment Executive Brokerage Report Card 2011. 5. Standard & Poor's Fund Manager of the Year awards.

# Macquarie Securities

FY11 Operating income[1] of $A1,299m, down 12% on FY10

FY11 Net profit contribution[2] of $A175m, down 70% on FY10

## FY11 RESULT IMPACTED BY SUBDUED EQUITY MARKET CONDITIONS

| | |
|---|---|
| **Leading positions** | No.1 overall research & sales strength[3] (Asian Inst. Investors - Australian Equities), No.1 equity research/advisory share[4] (US & European Inst. Investors – Australian Equities), No.1 Execution Broker (Asia)[5], No.2 equity research/advisory share Asian equities[6] (US, UK & European Investors), No.1 market share in listed warrants (Singapore and Korea)[7] |
| **$A30b[6]+** | Equity capital market raisings globally |
| **Growth** | Continued to improve client rankings and grow market share across most markets |
| **Building for the future** | Investment in technology/infrastructure: global, scalable platform from electronic execution through to back office<br>Extended retail structured products: Europe and India<br>Consolidating the build out in Europe and the US around core global sectors |

1. As reported. 2. This represents management accounting profit before unallocated corporate costs, profit share and income tax. 3. Peter Lee Associates Survey of Asian Institutional Investors – Australian Equities 2010. 4. Greenwich Survey of US Institutional Investors – Australian Equities and Greenwich Survey of European Institutional Investors – Australian Equities. 5. Bloomberg. 6. Greenwich Survey of US, UK and European Institutional Investors – Asian (Ex Japan) Equities 2010. 7. Local exchanges. 8. Capital raised in FY11.The following Foreign Exchange rates have been used as at 31 Mar 2011: AUD/USD 1.0369, AUD/EUR 0.7302, AUD/CAD 1.0041.

# Global Specialist

## Examples

Our expertise

### Asia-Pacific

- 40+ years of knowledge and experience
- Over the last 3 years:
  - M&A, ECM & Advisory: 533 deals, $A200b+
  - DCM: 77 deals, $A79b
- Established over 50 investment strategies, $A75b+ in AUM
- No.1 overall research and sales strength for Asian institutional investors[1]
- Singapore regional hub for FICC

### Energy

- Deep industry expertise
- No.4 US physical gas marketer in North America[4]
- Acquisitions – Constellation gas trading, Tristone, Orion
- Capabilities in products including natural gas, crude oil, refined products, renewables, power and LNG

### Commodities, Agriculture and Resources

- 30+ year history
- Comprehensive platform
- Top 3 carbon emissions trader globally[2]
- No.1 ranked metals & mining research team by European and US investors for Australian equities[3]

### Specialised leasing and lending

### Asset management and administration

### Financial Institutions Group

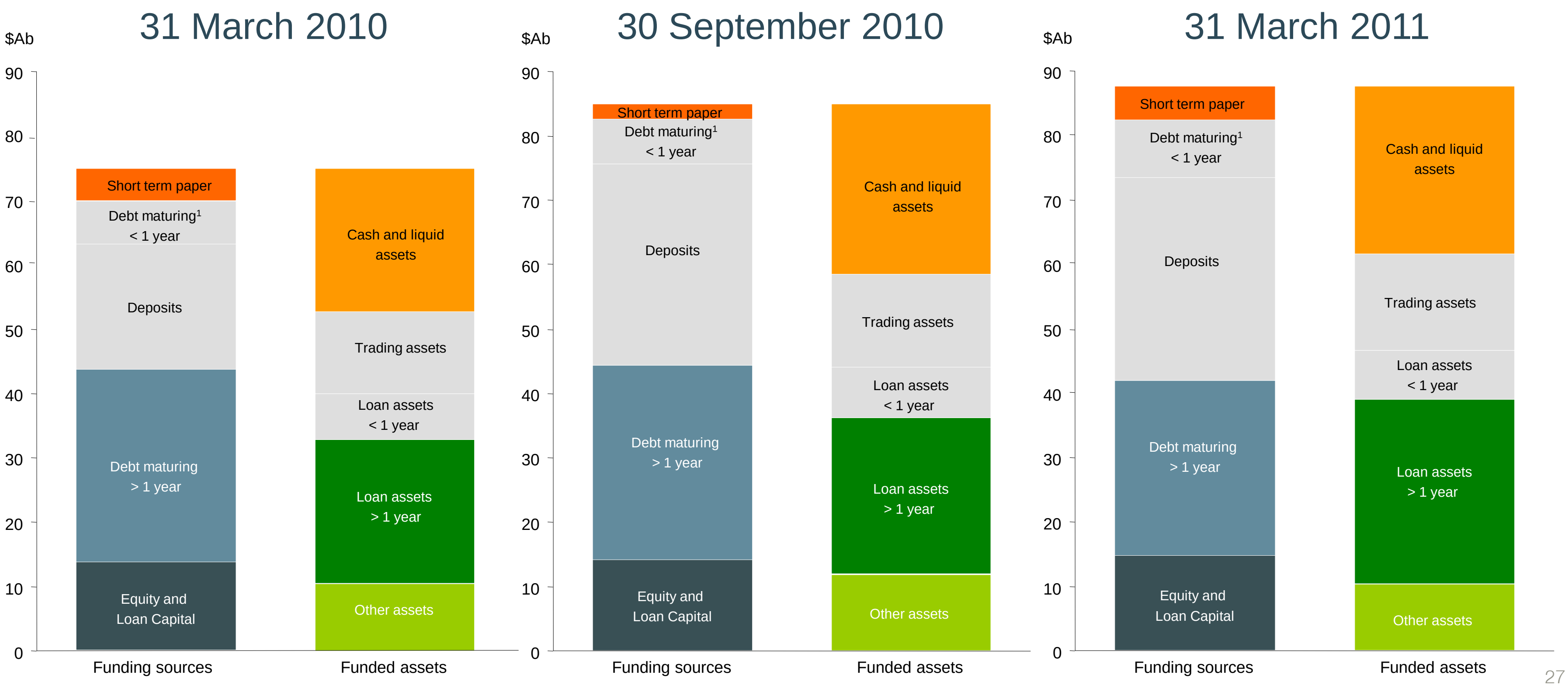
### Infrastructure and Utilities

- Global pioneer for 20+ years
- Largest infrastructure fund manager globally, $90b+ in infrastructure AUM[5]
- Infrastructure Manager of the Year[6]
- Over the last 3 years, 231 deals, $A75b+
- One of the largest infrastructure advisory teams globally – 24 offices, 16 countries



1. Peter Lee Associates Survey of Asian Institutional Investors – Australian Equities 2010. 2. By volume and value. Thomson Reuters/Point Carbon. 3. Greenwich Survey of Australian equities, Greenwich Associates Priorities, 2010. 4. PlattsGasDaily (Dec 10). 5. Towers Watson Global Alternatives Report, Jun 10. 6. 2010 Annual Financial News' Awards (European Institutional Asset Management) for direct infrastructure management.

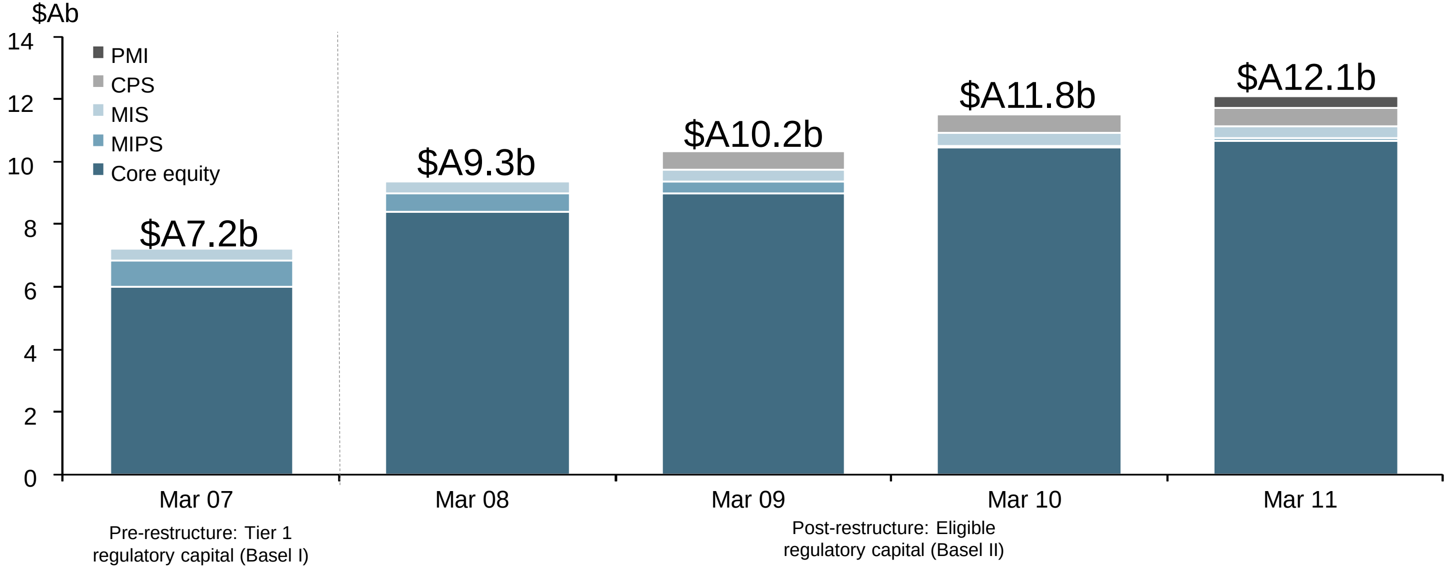
# Funded balance sheet remains strong




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 Macquarie Group Limited's Result Announcement for the year ended 31 Mar 11, slide 58. 1. Includes Structured Notes, Secured Funding, Bonds, Other Bank Loans maturing within the next 12 months and Net Trade Creditors.

# Consistently strong capital base

- Well capitalised – surplus over Group's minimum regulatory capital requirement of $A3.0b
- Core equity represents 88% of the Group's capital base
- Capital increased in FY11 due to PMI issue, net of reductions from the MEREP on-market purchase and FX movements



# Macquarie Group Limited

**1Q12 Update**

Nicholas Moore, Managing Director and Chief Executive Officer

28 July 2011

# Global events sapping confidence

**United States**

Debt ceiling impasse

**China**

Concerns over slowing economy and increasing inflation

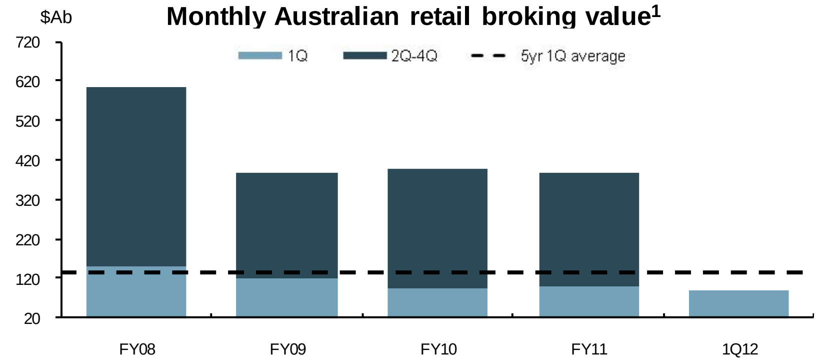
**Europe**

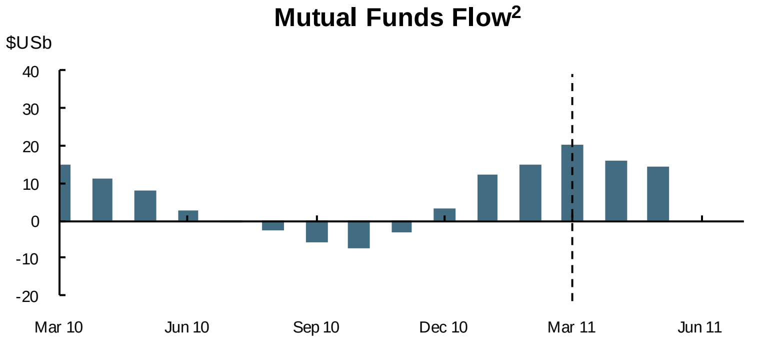
Sovereign debt crisis

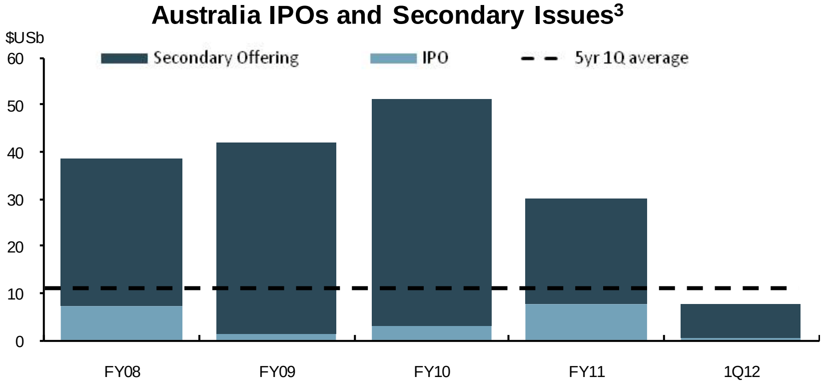
**Japan**

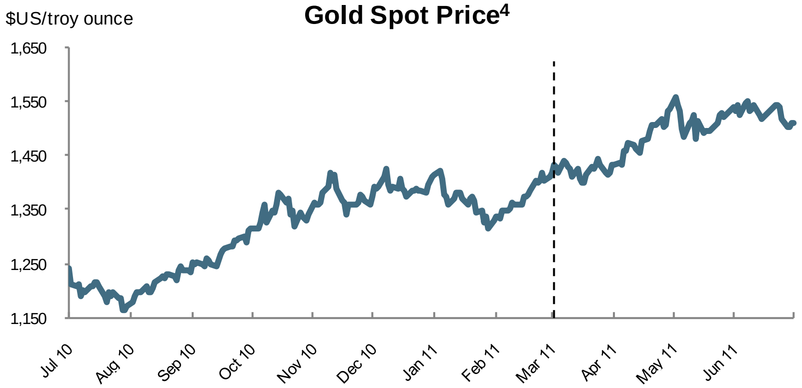
Earthquake and tsunami

# 1Q12 weak market conditions






1. Source: IRESS. 2. Mutual funds flow: Shows the net inflow/outflow of money into long-term mutual funds. Source: Datastream. 3. Source: Thomson Reuters, data based on completed transactions. FY data based on year ended 31 Mar. 1Q data based on quarter ended 30 Jun. 4. Source: Bloomberg.

# 1Q12 Macquarie update

- 1Q12 operating groups' contribution[1] ahead of subdued pcp (1Q11) but down on prior quarter (4Q11) due to subdued market conditions
- Compared to pcp (1Q11), increased contribution from the annuity style businesses[2] more than offset the lower contribution from those impacted by subdued market conditions
- Effective tax rate up due to changes in mix and geographic composition of income
- No significant one-off items
- High levels of cash continue to impact current earnings



1. This represents management accounting profit before unallocated corporate costs, profit share and income tax. 2. Annuity style businesses primarily represent MFG, CAF and BFS.

# 1Q12 Update - Macquarie Funds

## 1Q12 up on 1Q11[1]

## INFLOWS CONTINUE AS A RESULT OF STRONG INVESTMENT PERFORMANCE ACROSS ASSET CLASSES AND INVESTMENT STRATEGIES

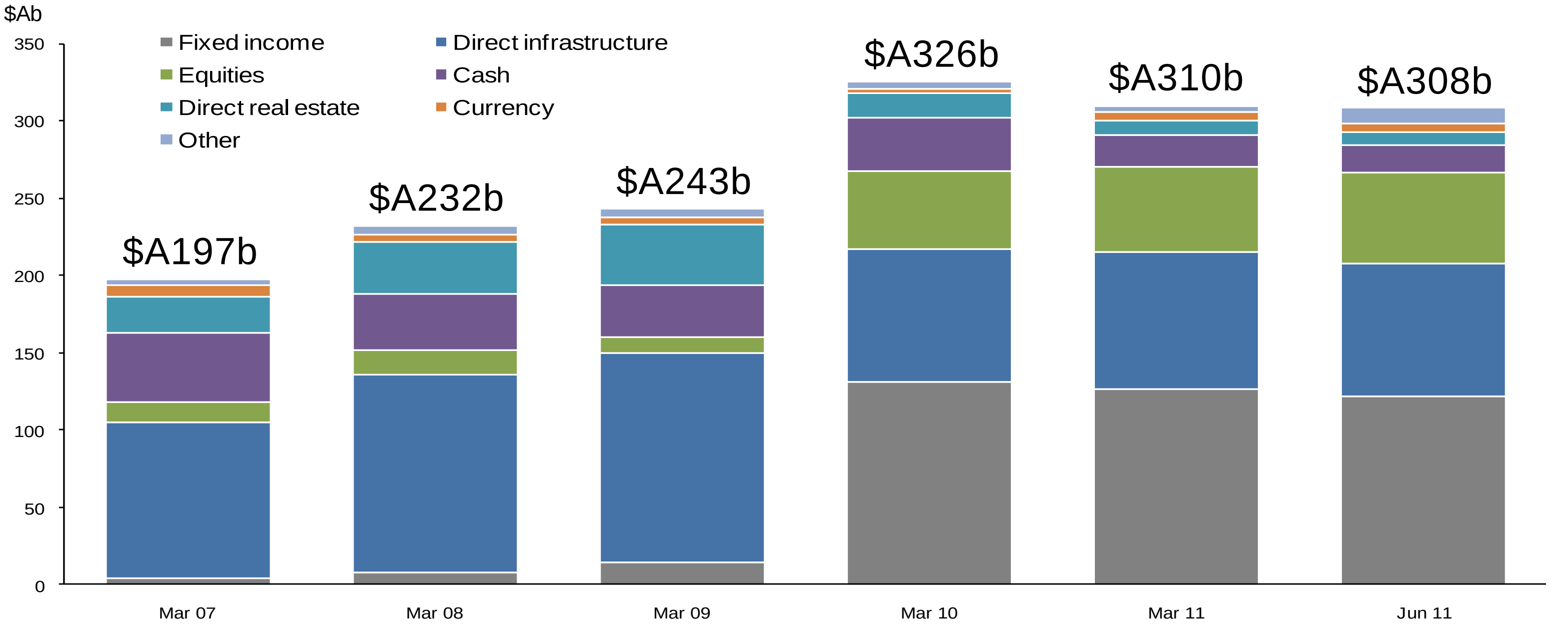
| | |
|---|---|
| **Inflows** | $A5.1b of net inflows in 1Q12, including $A4.6b in MIM strategies and over $A700m in MIRA funds<br>Highest number of Australian institutional mandates awarded[2]<br>Asian Alpha hedge fund's AUM now over $A1.2b<br>$A250m raised in Australian retail structured products, despite weaker appetite generally<br>Strong flows have continued post 30 June, particularly in the MIRA division, with a substantial mandate win in Australia |
| **New product development** | 1st close of China Infrastructure fund, with $US729m in available funds<br>1st close of Clean Technology and Asia-Pacific Co-Investment funds, with over $US175m in commitments<br>Initial commitments received for fourth European infrastructure fund |
| **Operational expertise** | Ranked first in Infrastructure Investor magazine's list of top infrastructure investors[3]<br>$A5.5b fund and asset level re-financings completed across a number of listed and unlisted infrastructure and real asset funds |
| **Building for the future** | Continued build out of Macquarie Investment Management's global distribution platform, with senior hires in Japan and the US |
| **Platform efficiencies** | Scale benefits from bringing legacy MFG, Delaware and MIRA platforms together achieving run rate cost savings of 10-15% p.a.<br>Consolidation of Macquarie Allegiance LA operations into Delaware Investments |



1. This represents management accounting profit before unallocated corporate costs, profit share and income tax. 2. Source: Rainmaker Mandate Chaser Report for the year to 31 Mar 11. 3. Based on the amount of direct investment in capital the firm has created for the asset class in the last five years.

# Assets under management of $A308b

- Jun 11 broadly in line with Mar 11
  - Net fund inflows and equity movements broadly offset by decrease due to FX movements



# 1Q12 Update - Corporate and Asset Finance

## 1Q12 up on 1Q11[1]

## PORTFOLIOS PERFORMING STRONGLY

| | |
|---|---|
| **Asset and loan portfolio growth** | Asset and loan portfolio:<br>- flat on prior quarter (4Q11)[2]<br>- up 11% on pcp[2] (1Q11) |
| **Business expansion** | Extending finance through the customer value chain – from manufacturer to end user:<br>– motor vehicle manufacturers and dealers in Australia<br>– technology distributors globally<br>Commenced mining equipment leasing |
| **Leasing programmes** | Expanded white label programmes in Australia, Asia, Europe and US through manufacturers and vendors |
| **Building for the future** | Continued to access global securitisation markets<br>Continual expansion of global customer relationships – providing a single financing and asset management solution for multinational customers across all locations<br>Continual expansion of global manufacturer and vendor relationships – financing solutions for:<br>– Asian manufacturers in Europe and North America<br>– European and North American manufacturers in Asia<br>Renewed focus on organic growth in existing businesses to enhance efficiencies and scale |
| **Platform efficiencies** | Investing in CAF's lending and leasing systems across geographies and businesses to enhance efficiencies and scale |



1. This represents management accounting profit before unallocated corporate costs, profit share and income tax. 2. 1Q12 portfolio changes exclude the transfer of Macquarie AirFinance (MAF) from Macquarie Capital.

# 1Q12 Update - Banking and Financial Services

## 1Q12 in line with 1Q11[1]

### REMAINS NO.1 RANKED RETAIL FULL SERVICE BROKER[2]

| | |
|---|---|
| **Private Wealth/Direct** | Named 'Outstanding Institution' at Australian Private Banking Awards[3]<br>MPW ASX retail turnover up 5% on prior quarter (4Q11), down 4% on pcp (1Q11) |
| **Intermediary** | Macquarie Wrap ranked No.1 overall[4] in Wealth Insights Platform Service Level Report<br>Total funds under management, advice or administration down 1% on prior quarter (4Q11), up 4% on pcp (1Q11) |
| **Funds Management** | Awarded 'Money Management Fund Manager of the Year'[5] for Global Equities and Alternative Investments (Hedge Funds) |
| **Deposits** | Total retail deposits of $A27.9b, up 5% on prior quarter (4Q11), up 75% on pcp (1Q11)<br>CMA deposits of $A15.7b, up 8% on prior quarter (4Q11), up 293% on pcp[6] (1Q11) |
| **Platform efficiencies** | Outsourced Canadian mortgage servicing and origination to improve margins<br>Closure of UK Wrap business<br>System rationalisation, process improvement and portfolio mix adjustment expected to result in run-rate cost savings of approx. 5-10% p.a. |



1. This represents management accounting profit before unallocated corporate costs, profit share and income tax. 2. IRESS: consideration traded and volume 1Q12. 3. Australian Private Banking Council. 4. 2011 Wealth Insights Platform Service Level Report (May 11). 5. Money Management Fund Manager of the Year Awards (May 11). 6. Increase on pcp (1Q11) principally relates to CMT/CMA initiative.

# 1Q12 Update - Macquarie Securities

## 1Q12 down on 1Q11[1]

### SUBDUED EQUITY MARKETS AND CHALLENGING ECM CONDITIONS

| | |
|---|---|
| **Cash** | Australia: Market share marginally down on pcp (1Q11)<br>No.1 equity research/advisory share for European and US institutional investors (Australian equities)[2]<br>Continued build out of US and Europe platforms<br>Asia: Increased market share in India, Thailand and Singapore on pcp (1Q11)<br>No.1 Execution Broker (Asia)[3] |
| **ECM[5]** | Market share up in Australia, Asia, Europe and US on pcp (1Q11)<br>Ranked No.13 in US up from 33 in pcp[4] (1Q11)<br>Ranked No.15 globally up from 29 in pcp[4] (1Q11)<br>Capital raised in 1Q12 up on prior quarter (4Q11) and pcp (1Q11) in Australia, Asia, Europe and US<br>Canada down on strong prior quarter (4Q11) and pcp (1Q11) |
| **Derivatives DeltaOne Trading** | Maintained No.1 listed warrants market share in Singapore and Korea |
| **Platform efficiencies** | Ongoing program of system rationalisation, process improvement, back office consolidation and vendor/demand management projects that are achieving run-rate cost savings of approx. 5-10% p.a. |

1. This represents management accounting profit before unallocated corporate costs, profit share and income tax. 2. Source: Greenwich Associates European Equity Investors – Australian Equities Sales Research and Trading. 3. Bloomberg. 4. Thomson Reuters Global Equity Capital Markets Review – Managing Underwriters 6 months to 2011 League Tables – Global Equity & Equity-Related (C1) and US Equity & Equity-Related (C1a). 5. ECM involves 50:50 participation by Macquarie Capital and Macquarie Securities.

# 1Q12 Update - Macquarie Capital

## 1Q12 up on 1Q11[1]

**ACTIVITY LEVELS BROADLY IN LINE WITH PCP (1Q11)**
**1Q12 114 Deals $A24b (1Q11 118 Deals $A16b)**

| | |
|---|---|
| **Australia/NZ** | 23 deals at $A12.8b (1Q11: 16 deals at $A2.6b)<br>Including: Royal Adelaide Hospital (Sponsor, Advisory); Fletcher Building (Advisory); Affinity Equity Partners Australia (Advisory, DCM); Mumbida Wind Farm (Co-sponsor); ALE Property Group (DCM)<br>Awarded 'Best Domestic Equity House (Australia)' – Asiamoney |
| **Asia** | 13 deals at $A1.7b (1Q11: 15 deals at $A3.1b)<br>Including: Minmetals Resources (ECM); PT Harum Energy (ECM); Suzlon Energy (ECM); Huaneng Renewables (IPO); Phoenix New Media (IPO) |
| **EMEA** | 8 deals at $A2.6b (1Q11: 15 deals at $A3.6b)<br>Including: APG Algemene Pensioen Groep and Goodman Group led consortium (Advisory); NORMA Group (IPO); HgCapital (Advisory); Powerland Group (IPO); Thames Water (DCM); TDR Capital (Advisory); Infracapital Partners (Advisory) |
| **Americas** | 70 deals at $A7.0b (1Q11: 72 deals at $A7.0b)<br>Including: Venetor Group (Advisory), MidOcean Partners (Advisory, DCM), American International Group (ECM), Phoenix New Media (IPO), CoreLogic (Advisory), International Lease Finance (DCM) |
| **Platform efficiencies** | Run rate cost savings of approx. 15% achieved through more efficient management of the business to the current market environment |



1. This represents management accounting profit before unallocated corporate costs, profit share and income tax.

# 1Q12 Update - Fixed Income, Currencies and Commodities

## 1Q12 down on 1Q11[1]

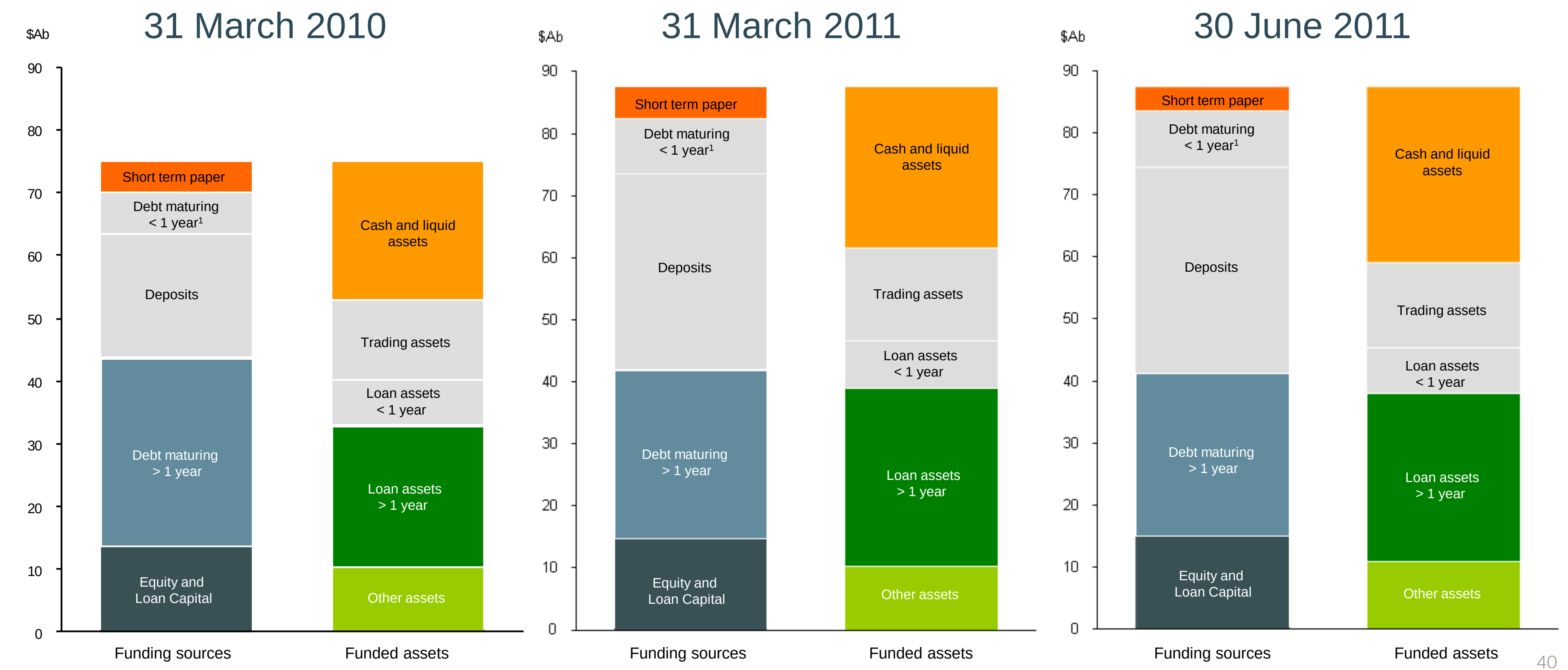
### REDUCED VOLUMES AND SUBDUED VOLATILITY IN MOST MARKETS

| | |
|---|---|
| **Metals** | Modest client activity<br>Low equity realisations |
| **Asian Markets** | Phase 1 build out complete<br>MBL Singapore Branch |
| **Agriculture** | Geopolitical tensions and adverse weather events impacting trading conditions<br>Mixed agricultural commodity prices |
| **Energy** | Subdued natural gas volatility limiting activity<br>No.4 physical gas marketer in North America[2] |
| **FX Volumes** | Modest client activity, but increasing diversity of clients |
| **Credit** | Europe: Euro government debt concerns resulting in investors reallocating risk<br>US: Active primary high yield issuances. Secondary market for high yield sluggish due to focus on new issue |
| **Building for the future** | Dubai Category 4 Branch licence granted |
| **Platform efficiencies** | Merged Emerging Markets business with Credit Trading and Fixed Income & Commodities business<br>Investment in offshore platforms continue |



1. This represents management accounting profit before unallocated corporate costs, profit share and income tax. 2. PlattsGasDaily (Mar 11).

# Funded balance sheet remains strong

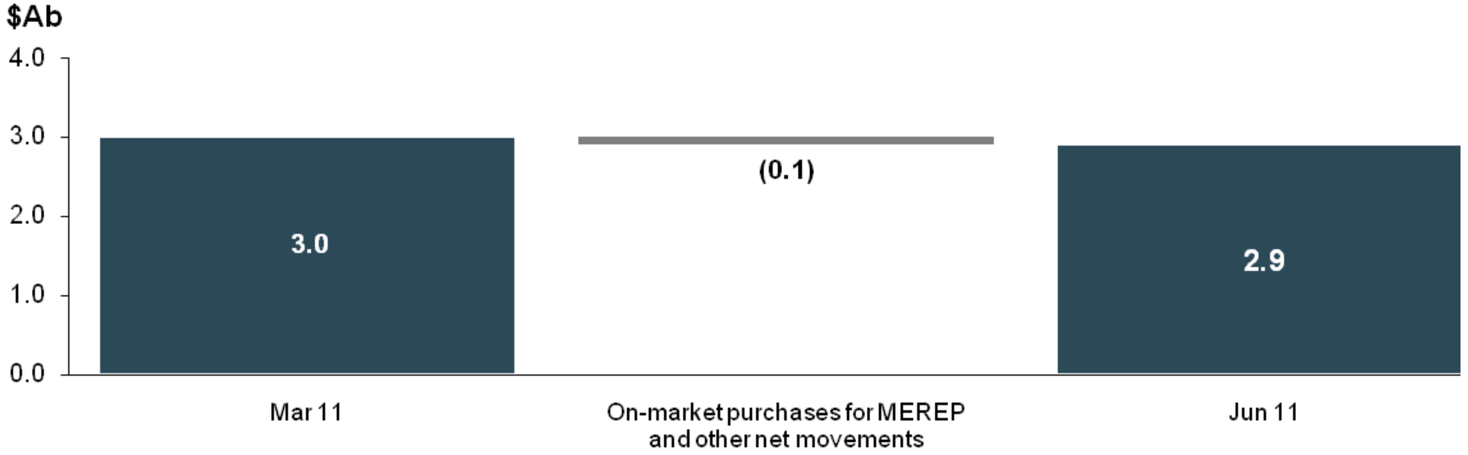





These charts represent Macquarie Group Limited's funded balance sheets at the respective dates noted above. 1. Includes Structured Notes, Secured Funding, Bonds, Other Bank Loans maturing within the next 12 months and Net Trade Creditors.

# Group capital surplus of $A2.9b

- Group capital of $A11.6b as at 30 Jun 11, a $A2.9b buffer of capital in excess of the Group’s minimum regulatory capital requirements
- Capital has been deployed across the Group to support business growth
- Strong Banking Group capital ratios - Tier 1: 11.5%; Total Capital: 15.0%
- Our current assessment is that Macquarie has sufficient capital to meet the Basel III capital requirements and leverage ratio requirements



# Macquarie Group Limited

**Outlook**

Nicholas Moore, Managing Director and Chief Executive Officer

28 July 2011

# Short term outlook update

- Market uncertainty remains making forecasting difficult
- Summarised below are the outlook statements for each operating group, the FY12 results for which will vary with market conditions

| | Net profit contribution | | | | |
|---|---|---|---|---|---|
| **Operating Group** | **FY07-FY11 historical range** | **FY07-FY11 average** | **FY11** | **FY12 outlook as announced at FY11 result announcement** | **Update to FY12 outlook** |
| Macquarie Securities | $A0.2b - $A1.2b | $A0.6b | $A0.2b | FY12 to be up on FY11 assuming better market conditions than FY11 | No change, notwithstanding subdued market conditions in 1Q12 |
| Macquarie Capital | $A(0.1)b - $A1.6b | $A0.7b | $A0.3b | FY12 to be up on FY11 assuming better market conditions than FY11 | No change, notwithstanding subdued market conditions in 1Q12 |
| Macquarie Funds | $A0.3b - $A1.1b | $A0.7b | $A0.6b | FY12 to be broadly in line with FY11 | Increased contribution: FY12 to be up on FY11 |
| FICC | $A0.5b - $A0.8b | $A0.6b | $A0.6b | FY12 to be up on FY11 | Reduced contribution: FY12 to be broadly in line with FY11 |
| Corporate and Asset Finance | $A0.1b - $A0.5b[1] | $A0.2b | $A0.5b | FY12 to be up on FY11 | No change |
| Banking and Financial Services | $A0.2b - $A0.3b[2] | $A0.3b | $A0.3b | FY12 to be broadly in line with FY11 | No change |
| Corporate | – Compensation ratio and effective tax rate to be consistent with historical levels<br>– Continued higher cost of funding reflecting market conditions and high liquidity levels | | | | FY12 likely to be impacted by recently announced MAp cash amount[3] |



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 $A249m as this is a discontinued business. 3. On 1 Apr 11, Macquarie's equity investment in MAp transferred from Macquarie Funds to Corporate. Comparatives have not been restated.

# Short term outlook update

- 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 market conditions are likely to continue for the first half, we currently expect 1H12 operating groups' contribution[1] to be broadly in line with pcp (1H11)
- Due to a higher tax rate in 1H12 and not having the benefit of the MAp AVS reclassification included within pcp (1H11), 1H12 result likely to be lower than 1H11
- 2H12 is likely to be impacted by the cash amount to be made available to investors noted within MAp's recent announcement
- In addition to market conditions, FY12 result remains subject to a range of other challenges including:
  - Movements in foreign exchange rates
  - Increased competition across all markets
  - Cost of our continued conservative approach to funding and capital
  - Regulation, including the potential for regulatory changes



1. This represents management accounting profit before unallocated corporate costs, profit share and income tax.

# Medium term

## Macquarie is increasingly well positioned to deliver superior performance in the medium term

- 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
    - Funds Management, Corporate and Asset Finance and Banking and Financial Services
  - Three capital market facing businesses are well positioned to benefit from improvements in market conditions with strong platforms and franchise positions
    - Macquarie Securities, Macquarie Capital and FICC
- 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

# Macquarie Group Limited

**2011 Annual General Meeting**

28 July 2011

# Macquarie Group Limited

**2011 Annual General Meeting**

Formal Business

28 July 2011

# Item 1: Financial Statements

- **To consider and receive the Financial Report, the Directors' Report and the Auditor's Report of Macquarie for the financial year ended 31 March 2011**

# Item 2: Re-election of Mr PM Kirby as a Voting Director

- **To consider and, if thought fit, pass the following as an ordinary resolution:**

***That Mr PM Kirby be re-elected as a Voting Director of Macquarie***

# Item 3: Re-election of Dr JR Niland as a Voting Director

- **To consider and, if thought fit, pass the following as an ordinary resolution:**

***That Dr JR Niland be re-elected as a Voting Director of Macquarie***

# Item 4: Re-election of Dr HM Nugent as a Voting Director

- **To consider and, if thought fit, pass the following as an ordinary resolution:**

***That Dr HM Nugent be re-elected as a Voting Director of Macquarie***

# Item 5: Re-election of Mr HK McCann as a Voting Director

- **To consider and, if thought fit, pass the following as an ordinary resolution:**

***That Mr HK McCann be re-elected as a Voting Director of Macquarie***

# Item 6: Election of Ms DJ Grady as a Voting Director

- **To consider and, if thought fit, pass the following as an ordinary resolution:**

***That Ms DJ Grady, having been appointed as a Voting Director since the last general meeting, be elected as a Voting Director of Macquarie***

# Item 7: Remuneration Report

- **To consider and, if thought fit, pass the following as an ordinary resolution:**

***To adopt the Remuneration Report of Macquarie for the year ended 31 March 2011***

# Remuneration policy

- **Key elements of Macquarie's remuneration framework:**

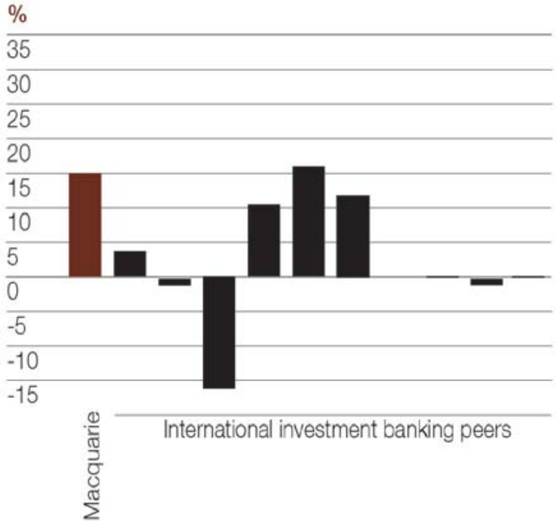
**Aligning the interests of staff and shareholders**

**Attracting and retaining high quality people**

**Driving long-term shareholder returns**

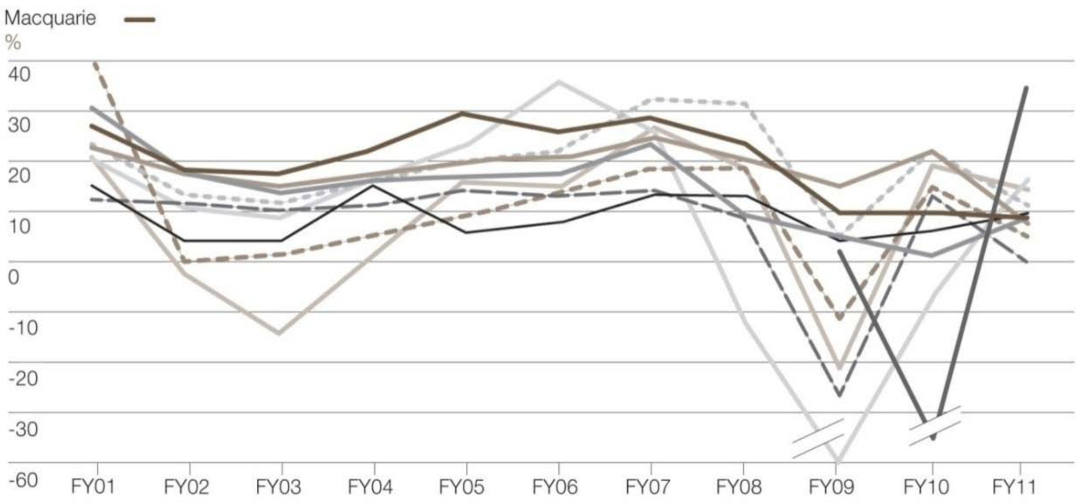
# Macquarie's remuneration approach – continuing to deliver results

**Macquarie's NPAT 10 year compound annual growth rate (CAGR) has outperformed all but one peer[1]:**




**Macquarie's 10 year average ROE of 19.5% is higher than its international peers**

**10 year ROE Macquarie versus peers[1]:**






1. Graphs reproduced from pages 82 and 83 of the Macquarie Group 2011 Annual Report. Peers comprise Barclays, Credit Suisse, Deutsche Bank, Goldman Sachs, Jefferies, JP Morgan Chase, Lazard, Merrill Lynch, Morgan Stanley and UBS.

# Macquarie's remuneration approach – incremental changes

- **Macquarie is enhancing its remuneration arrangements while ensuring its overall remuneration approach remains in place. These changes:**
  - Reflect global regulatory and competitive remuneration trends
  - Further align the interests of staff and shareholders
- **The incremental changes include:**
  - For some staff, more profit share is being deferred and delivered in Macquarie equity, with less being delivered as cash
  - From 2012, the Board will have discretion to reduce or eliminate unvested profit share amounts for some employees in certain circumstances ('Malus')
  - To reflect the structural shift in the market and consistent with regulatory guidance, the pay mix for Executive Committee members and select risk and financial control staff was realigned during the year

# Macquarie's remuneration approach – return drivers

- **The key components of Macquarie's remuneration approach:**
  - NPAT and ROE are known to be drivers of shareholder returns over the long-term
  - The size of the annual profit share pool is determined by reference to Macquarie's NPAT and its earnings over and above the estimated cost of capital

# Macquarie's remuneration approach – performance based

- **Individual employee remuneration is based on performance:**
  - Performance is primarily, but not exclusively, assessed based on relative contributions to profits (not revenue) while taking into account capital usage
  - Other qualitative measures to assess individual performance include risk management; compliance; people leadership; and upholding Macquarie's Goals and Values

# Macquarie's remuneration approach – equity and retention

- **Current performance based remuneration arrangements:**

| Key Area | Executive Committee Members and Designated Executive Directors | Other Executive Directors | Staff other than Executive Directors |
|---|---|---|---|
| **Amount of profit share retained** | 50-70% for Executive Committee and Designated Executive Directors<br><br>70% for the Managing Director and CEO | 40-70% | 25% to 70% dependent on certain thresholds |
| **Vesting and release of retained profit share** | 3 to 7 years after the year retained | 3 to 5 years after the year retained | 2 to 4 years after the year retained |

– Retained amounts are fully invested in a combination of Macquarie ordinary shares and notionally in Macquarie-managed fund equity depending on the individual's role

# Macquarie's remuneration approach – Malus

- **Malus is to be introduced for 2012 in line with regulatory requirements and to incentivise staff to maintain a long-term focus**
  - For 2012, the Board will have discretion to reduce or eliminate unvested profit share amounts where an Employee's action or inaction has caused significant reputational harm, a significant unexpected financial loss or a material financial restatement
  - This will apply to Executive Committee members, Designated Executive Directors, Code Staff under the UK FSA Remuneration Code and senior risk and financial control staff

# Remuneration approach managed through strong governance processes

- **The Board, supported by the Board Remuneration Committee, provides oversight of Macquarie's remuneration approach**
  - 2011 remuneration decisions reflect the Board's evaluation of performance during the year
  - The Board is assisted in this process by global independent remuneration consultants, Pay Governance

# Item 8: Approval of Executive Voting Director's participation in the Macquarie Group Employee Retained Equity Plan (MEREP)

- **To consider and, if thought fit, pass the following as an ordinary resolution**

***That the following be approved for all purposes:***

***(a) participation in the Macquarie Group Employee Retained Equity Plan (MEREP) by Mr NW Moore, Managing Director and Chief Executive Officer; and***

***(b) acquisition by Mr NW Moore of Restricted Share Units and Performance Share Units and the acquisition of shares in the Company in respect of those Restricted Share Units and Performance Share Units,***

***all in accordance with the terms of the MEREP and on the basis described in the Explanatory Notes to the Notice of Meeting convening this meeting***

MACQUARIE

# Macquarie Group Limited

**2011 Annual General Meeting**

28 July 2011

# Macquarie Group Limited

**Glossary**

28 July 2011

# 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 |
| 1Q | First Quarter |
| 1Q12 | First Quarter ended 30 June 2011 |
| 1Q11 | First Quarter ended 30 June 2010 |
| 2H09 | Half Year ended 31 March 2009 |
| 2H10 | Half Year ended 31 March 2010 |
| 2H11 | Half Year ended 31 March 2011 |
| 2H12 | Half Year ended 31 March 2012 |
| 2Q | Second Quarter |

| | |
|---|---|
| 4Q | Fourth Quarter |
| 4Q11 | Fourth Quarter ended 31 March 2011 |
| Approx. | Approximately |
| ASX | Australian Securities Exchange |
| AUD | Australian Dollar |
| AUM | Assets Under Management |
| AVS | Available For Sale |
| BFS | Banking and Financial Services |
| Bps | Basis Points |
| CAD | Canadian Dollar |
| CAF | Corporate and Asset Finance |
| CAGR | Compound Annual Growth Rate |
| CMA | Cash Management Account |
| CMBS | Commercial Mortgage-Backed Securities |
| CMT | Cash Management Trust |

# Glossary

| | |
|---|---|
| CPS | Convertible Preference Shares |
| DCM | Debt Capital Markets |
| ECM | Equity Capital Markets |
| EMEA | Europe, the Middle East and Africa |
| EU | Europe |
| EUR | Euro |
| Ex | Excluding |
| FICC | Fixed Income, Currencies and Commodities |
| FSA | Financial Services Authority |
| FX | Foreign Exchange |
| FY09 | Financial Year ended 31 March 2009 |
| FY10 | Financial Year ended 31 March 2010 |
| FY11 | Financial Year ended 31 March 2011 |
| FY12 | Financial Year ended 31 March 2012 |
| GDP | Gross Domestic Product |

| | |
|---|---|
| GFC | Global Financial Crisis |
| GMAC | General Motors Acceptance Corporation |
| HK | Hong Kong |
| ILFC | International Lease Finance Corporation |
| IPO | Initial Public Offering |
| IT&T | Information Technology & Telecommunications |
| JP | Japan |
| LA | Los Angeles |
| LHS | Left Hand Side |
| LNG | Liquefied Natural Gas |
| M&A | Mergers and Acquisitions |
| MAF | Macquarie AirFinance |
| MAp | Macquarie Airports |
| MEREP | Macquarie Group Employee Retained Equity Plan |
| MFG | Macquarie Funds Group |

# Glossary

| | |
|---|---|
| MBL | Macquarie Bank Limited |
| MIM | Macquarie Investment Management |
| MIPS | Macquarie Income Preferred Securities |
| MIRA | Macquarie Infrastructure and Real Assets |
| MIS | Macquarie Income Securities |
| MPW | Macquarie Private Wealth |
| MSCI | Morgan Stanley Capital International |
| No. | Number |
| NPAT | Net Profit After Tax |
| NY | New York |
| NZ | New Zealand |
| OTC | Over the Counter |
| Pcp | Prior Corresponding Period |
| PMI | Preferred Membership Interests |
| PPP | Public Private Partnership |

| | |
|---|---|
| RHS | Right Hand Side |
| ROE | Return on Equity |
| S&P | Standard and Poor’s |
| TSR | Total Shareholder Return |
| UK | United Kingdom |
| US | United States of America |
| USD | United States Dollar |

# Macquarie Group Limited

**2011 Annual General Meeting**

28 July 2011