



ASX/Media Release

MACQUARIE GROUP 2019 OPERATIONAL BRIEFING

Key points

- **Trading conditions were satisfactory with significant realisations across the Group in the December 2018 quarter**
- **Annuity-style businesses' combined December 2018 quarter net profit contribution¹ slightly up on the December 2017 quarter (prior corresponding period)**
 - **FY19 YTD² net profit contribution from annuity-style businesses down on FY18 YTD mainly due to lower performance fees in Macquarie Asset Management (MAM) offset by timing of transactions in Corporate and Asset Finance (CAF) Principal Finance and continued growth in Banking and Financial Services (BFS)**
- **Markets-facing businesses' combined December 2018 quarter net profit contribution significantly up on the prior corresponding period**
 - **FY19 YTD net profit contribution from markets-facing businesses significantly up on FY18 YTD primarily due to higher principal revenue in Macquarie Capital and strong performance from the commodities platform in Commodities and Global Markets (CGM)**
- **Financial position comfortably exceeds regulatory requirements³**
 - **Group capital surplus of \$A4.0 billion**
 - **Bank CET1 ratio 10.8% (Harmonised: 13.6%); Leverage ratio 4.9% (Harmonised: 5.6%); LCR 163%⁴; NSFR 111%**

Sydney, 12 February 2019 - Macquarie Group Limited (Macquarie) (ASX: MQG; ADR: MQBKY) today provided an update on business activity in the third quarter of the financial year ending 31 March 2019 (December 2018 quarter).

During a presentation at Macquarie's annual Operational Briefing in Sydney today, Macquarie Group Managing Director and Chief Executive Officer, Shemara Wikramanayake, said: "Trading conditions were satisfactory with significant realisations across the Group in the December 2018 quarter."

Macquarie's annuity-style businesses' (MAM, CAF and BFS) combined December 2018 quarter net profit contribution was slightly up on the December 2017 quarter. For the nine months ended December 2018, net profit contribution was down on the prior corresponding period mainly due to lower performance fees in MAM, offset by timing of transactions in CAF Principal Finance and continued growth in BFS.

Macquarie's markets-facing businesses' (CGM and Macquarie Capital) combined December 2018 quarter net profit contribution was significantly up on the December 2017 quarter. For the nine months ended December 2018, net profit contribution was significantly up on the prior corresponding period

¹ Where referenced in this document, net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

² Where referenced in this document, Year To Date refers to the 9 months to 31 December for the relevant year.

³ Where referenced in this document, the Group capital surplus is calculated at 8.5 per cent Risk Weighted Assets (RWA) including capital conservation buffer (CCB), per APRA Prudential Standard 110. The APRA Basel III Group capital surplus is \$A5.2 billion calculated at 7.0 per cent RWA, per the internal minimum Tier 1 ratio of the Bank Group. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework.

⁴ Where referenced in this document, average Liquidity Coverage Ratio (LCR) for the December 2018 quarter is based on an average of daily observations.

primarily due to higher principal revenue in Macquarie Capital and strong performance from the commodities platform in CGM.

Macquarie Group's financial position comfortably exceeds APRA's Basel III regulatory requirements, with a Group capital surplus of \$A4.0 billion at 31 December 2018, up from \$A3.4 billion at 30 September 2018. The Bank Group's APRA Basel III Common Equity Tier 1 capital ratio was 10.8 per cent (Harmonised: 13.6 per cent) at 31 December 2018, up from 10.4 per cent at 30 September 2018. The Bank Group's APRA leverage ratio was 4.9 per cent (Harmonised: 5.6 per cent), average LCR was 163 per cent and NSFR was 111 per cent at 31 December 2018.

Third quarter business highlights

Ms Wikramanayake provided an overview of recent business activity undertaken during the December 2018 quarter:

- Macquarie Asset Management (MAM)** had assets under management (AUM) of \$A532.1 billion⁵ at 31 December 2018, down two per cent on 30 September 2018, predominately driven by market movements. During the quarter, Macquarie Infrastructure and Real Assets (MIRA) raised \$A8.7 billion in new equity, including \$A7.4 billion in Europe, invested equity of \$A1.0 billion and divested \$A1.2 billion of assets. At 31 December 2018, MIRA had \$A24.3 billion of equity to deploy. In Australia, MIRA was appointed investment manager of The Infrastructure Fund (TIF), a \$A2.5 billion unlisted infrastructure fund. Macquarie Investment Management (MIM) was awarded \$A8.4 billion⁶ in new, funded institutional mandates and contributions.
- Corporate and Asset Finance's (CAF)** Asset Finance and Principal Finance portfolio of \$A21.6 billion⁷ at 31 December 2018 was broadly in line with 30 September 2018. Asset Finance originations were in line with expectations. Following a competitive tender process, Asset Finance secured the next two years of funding for the rollout of second-generation smart meters for one of the UK's largest energy suppliers. During the quarter, Principal Finance had portfolio additions of \$A0.6 billion. Notable acquisitions included a 50 per cent interest in a leading UK car park management and solutions company and a 50 per cent interest in a portfolio of multifamily rental properties and development pipeline in the US. Notable realisations included the sale of Principal Finance's majority stake in Energetics, a leading UK multi-utility network provider, to a European infrastructure investor. MIDIS' total third-party investor commitments increased to \$A11.0 billion while the team closed a number of investments bringing total AUM to \$A7.8 billion⁸.
- Banking and Financial Services (BFS)** had total deposits⁹ of \$A51.0 billion at 31 December 2018, up three per cent on 30 September 2018. The Australian mortgage portfolio of \$A37.3 billion increased three per cent on 30 September 2018, while funds on platform¹⁰ of \$A82.6 billion decreased six per cent on 30 September 2018, mainly due to market movements. The business banking loan portfolio of \$A8.1 billion increased four per cent on 30 September 2018. The Australian vehicle asset finance portfolio¹¹ of \$A15.3 billion decreased one per cent on 30 September 2018.
- Commodities and Global Markets (CGM)** experienced continued strong performance in North American Gas and Power, albeit with fewer opportunities from storage and management of transport positions in the latter part of the quarter. Fixed Income & Currencies saw increased client activity in structured FX in EMEA and Asia-Pacific. Cash Equities was impacted by challenging market conditions. There were improved results across the Futures platform, driven by increased client activity and volumes.

⁵ Compared to \$A542.5b restated as at 30 September 2018.

⁶ For the nine months to 31 December 2018.

⁷ Compared to \$A21.3b restated as at 30 September 2018.

⁸ MIDIS AUM includes undrawn commitments of \$A0.6b.

⁹ Deposits in BFS exclude corporate/wholesale deposits.

¹⁰ Funds on platform includes Macquarie Wrap and Vision.

¹¹ Portfolio moved from CAF Asset Finance to BFS effective 1 December 2018.

- Macquarie Capital** completed 78 transactions globally valued at \$A155 billion¹², up on the prior corresponding period and the September 2018 quarter (by value), driven primarily by advisory activity in Europe, Australia and Americas. Americas DCM activity was down on a strong September 2018 quarter. Notable transactions included: financial adviser to members of the supervisory board of Linde AG on its combined enterprise value of ~€80b merger with Praxair, Inc; financial adviser to Wesfarmers Limited in relation to the approximately \$A19 billion demerger of Coles Group Limited, the largest spin-off in ASX history¹³; financial adviser to KKR on its acquisition of BMC Software and joint bookrunner and joint lead arranger on the \$US6.6 billion financing to support the acquisition; Notable realisations included: Macquarie's 21.8 per cent interest in Quadrant Energy through the sale of 100 per cent of the business to Santos Limited for \$US2.2 billion; and the realisation of Macquarie's 23.9 per cent interest in PEXA, through a trade sale process valuing 100 per cent of the business at \$A1.6 billion. Green Investment Group, alongside Covanta, invested in a 50 per cent stake in Earls Gate Energy Centre, a waste-to-energy plant to be constructed in Scotland and delivered realisations including Markbygden ETT (Swedish onshore wind) and Westermost Rough and Lincs (UK offshore wind).

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¹² Dealogic and IJGlobal for Macquarie Group 3Q19 completed M&A, principal investments, ECM and DCM transactions, converted at 31 Dec 18 FX rate. Deal values reflect the full transaction value and not an attributed value.

¹³ Refinitiv (1 Apr 87 – 14 Jan 19, by 'spin off').