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ASX / MEDIA RELEASE

Macquarie Group 2014 Operational Briefing

Key points

- **Market conditions continued to show signs of improvement, however client activity remains subdued for some capital markets facing businesses**
- **Annuity-style businesses (Macquarie Funds, Banking and Financial Services and Corporate and Asset Finance) continue to perform well with combined 3Q14 net profit contribution¹ up on pcp and prior quarter**
- **Capital markets facing businesses (FICC, Macquarie Securities Group and Macquarie Capital) experienced mixed trading conditions with combined 3Q14 net profit contribution down on pcp and up on prior quarter**
- **Following shareholder approval at Macquarie's general meeting on 12 December 2013, the distribution of Sydney Airport securities to eligible shareholders was completed in January 2014**
- **At 31 December 2013, Group capital surplus under APRA Basel III was \$A2.7 billion², as adjusted for the distribution of Sydney Airport securities. The Bank Group APRA Basel III common equity Tier 1 ratio for Macquarie Bank Limited was 9.7% and the Tier 1 ratio was 10.8%**

Sydney, 11 February 2014 – 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 2014 (3Q14).

Overview

During a presentation at Macquarie's Operational Briefing in Sydney today, Macquarie Chief Executive Officer Nicholas Moore said: "Since our result announcement for the first half of the 2014 financial year, market conditions continued to show signs of improvement, however client activity remains subdued for some capital markets facing businesses.

"Macquarie's annuity-style businesses - Macquarie Funds, Banking and Financial Services and Corporate and Asset Finance - continue to perform well with the combined third quarter

¹ All references to net profit contribution refer to operating income less operating expenses and is reported before profit share and income tax

² Calculated at 7% RWA

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2014 net profit contribution up on the prior corresponding period, and the September 2013 quarter.

“Macquarie’s capital markets facing businesses - Fixed Income, Currencies and Commodities, Macquarie Securities and Macquarie Capital - experienced mixed trading conditions with combined third quarter 2014 net profit contribution down on the prior corresponding period and up on September 2013 quarter.”

Macquarie Securities and Macquarie Capital experienced increased levels of activity in ECM, particularly in Asia and Australia, although M&A activity levels continue to be subdued. Fixed Income, Currencies and Commodities’ (FICC) net profit contribution was up on September 2013 quarter but down on prior corresponding period which was a strong quarter across most FICC businesses.

Following shareholder approval at Macquarie’s general meeting on 12 December 2013, the distribution of Sydney Airport securities to eligible shareholders was completed in January 2014. The distribution had the following impact on Macquarie:

- A gain on distribution of approximately \$A228 million was recognised in the income statement
- Investment securities available for sale reduced by approximately \$A1.3 billion
- APRA Basel III regulatory capital surplus reduced by approximately \$A250 million after taking into account the release of capital currently held against the investment, profit on distribution and certain other capital initiatives, all of which have been completed. This reduction in capital surplus is consistent with the outstanding balance of the previously announced ordinary share buyback, which has now been cancelled.

Mr Moore provided an overview of recent developments undertaken by the businesses:

- **Macquarie Funds** (MFG), Australia’s largest global asset manager, saw assets under management (AUM) increase to \$A430.7 billion from \$A380.7 billion at 30 September 2013. Since 30 September 2013, MFG completed the acquisition of ING Investment Management Korea which has assets under management of \$A24.4 billion. Macquarie Quant Hedge Funds surpassed \$A2 billion in AUM. Macquarie Specialised Investment Solutions was awarded a mandate to invest in Infrastructure debt on behalf of a major UK Corporate Pension fund with an initial allocation of £200 million.
- **Corporate and Asset Finance** (CAF): The newly established Macquarie Rotorcraft helicopter leasing business closed its first transactions. The energy leasing portfolio continued to grow, totalling \$A0.9 billion at 31 December 2013, which includes meters in the UK and the recently commenced financing of solar in Australia. Strong securitisation activity continued with \$A1.4 billion of motor vehicle and equipment leases secured during 3Q14. CAF continued its portfolio additions in corporate and real estate lending across all geographies with further profit realisations, particularly from European assets.
- **Banking and Financial Services** (BFS) increased its Australian mortgage portfolio to \$A15.8 billion, . During 3Q14, BFS sold its 19.9 per cent stake in OzForex via an initial

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public offering (IPO) and completed the sale of the Macquarie Private Wealth Canada business to Richardson GMP.

- **Macquarie Securities Group (MSG)** arranged and executed structured equity financing deals for Japanese clients, raising approximately ¥9.2 billion in new equity capital.
- **Macquarie Capital** advised on or completed a number of transactions since 30 September 2013 including: joint lead manager on Meridian Energy's \$NZ1.9 billion IPO on the NZX and ASX; adviser to Shui On Land on the \$US545 million sale of a prime Shanghai office asset to China Life; advisor to Bellatrix Exploration on the \$C576 million acquisition of Angle Energy; advisor to ESB International on the sale of its 50 per cent shareholding in Marchwood Power to MEAG and adviser to SHFL Entertainment on its \$US1.3 billion sale to Bally Technologies.
- **Fixed Income, Currencies and Commodities (FICC)** experienced stronger client flows and increased opportunities across the global energy platform however credit trading volumes were subdued during 3Q14. FICC also launched and priced a \$A153.4 million Sapphire XII securitisation for the Bluestone Group reflecting improved market conditions for the non-conforming residential mortgage market in Australia.

Strong capital, funding and balance sheet positions

At 31 December 2013, the Group's capital surplus under APRA Basel III was \$A2.7 billion³ as adjusted for the distribution of Sydney Airport securities to eligible shareholders. The Bank Group APRA Basel III common equity Tier 1 ratio for Macquarie Bank Limited was 9.7 per cent and the Tier 1 ratio was 10.8 per cent.

The funded balance sheet remains strong and well funded with wholesale and retail deposits remaining broadly in line with 30 September 2013.

Board Changes

John Niland retired as a Director from the Boards of Macquarie Group Limited and Macquarie Bank Limited on 31 December 2013.

Nicola Wakefield Evans joined the Boards of Macquarie Group Limited and Macquarie Bank Limited as an Independent Director on 7 February 2014.

Ms Wakefield Evans is currently a non-executive director of Lend Lease Corporation Limited, Toll Holdings Limited and BUPA Australia & New Zealand Group. She is also a member of the Advisory Board at the University of New South Wales Law School and a non-executive director of Asialink at the University of Melbourne. Ms Wakefield Evans holds degrees in Laws and Jurisprudence from the University of New South Wales. She is a member of the Australian Institute of Company Directors, the Law Council of Australia, the Law Society of Hong Kong, the Law Society of England & Wales, the International Bar Association and Chief Executive Women. She has over 29 years legal experience, including 20 years experience as a corporate finance partner of King & Wood Mallesons. She has significant international experience, including being responsible for the development of the international practice and the Hong Kong, China and London offices of Mallesons Stephen Jaques.

³ Calculated at 7% RWA

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The appointment of Ms Wakefield Evans as an independent director will result in the Macquarie Group Board comprising 11 members and the Macquarie Bank Board comprising 12 members.

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This release may contain, in addition to historical information, certain forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "expects", or "anticipates", or variations of such words and phrases or state that certain actions, events or results "would", or "will" be taken, occur or be achieved. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements of Macquarie to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements, including the risks described under "Risk Factors" in Macquarie's Disclosure Report (U.S. Version) for the Fiscal Year ended March 31, 2013. Many of these risks and uncertainties relate to factors that are beyond Macquarie's ability to control or estimate precisely, such as future market conditions, changes in regulatory environment and the behaviour of other market participants. Macquarie cannot give any assurance that such forward-looking statements will prove to have been correct. The reader is cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. Macquarie is under no obligation, and disclaims any obligation, to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

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