



ASX/Media Release

MACQUARIE GROUP 2015 OPERATIONAL BRIEFING

Key points

- **Trading conditions across the Group have continued to improve during the Dec 14 quarter and there has been a continued weakening of the Australian dollar**
- **Annuity-style businesses' combined Dec 14 quarter net profit contribution¹ down on both a strong Dec 13 quarter (prior corresponding period) and Sep 14 quarter (prior period) which benefited from significant performance fees in Macquarie Asset Management (formerly Macquarie Funds Group) and the sale of OzForex²**
- **Capital markets facing businesses experienced improved trading conditions with combined Dec 14 quarter net profit contribution¹ up significantly on both the prior corresponding period and the prior period**
- **APRA Basel III Group capital of \$A14.3 billion, \$A1.4 billion surplus to minimum regulatory capital requirements from 1 January 2016³, \$A2.6 billion surplus to existing requirements⁴**
- **Macquarie Funds Group has changed its name to Macquarie Asset Management, and Fixed Income, Currencies and Commodities has changed its name to Commodities and Financial Markets, to better align the group names to their business activities**

Sydney, 17 February 2015 – 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 2015 (December 2014 quarter).

Overview

During a presentation at Macquarie's Operational Briefing in Sydney today, Macquarie Group Managing Director and Chief Executive Officer Nicholas Moore said: "Since our result announcement for the first half of the 2015 financial year (1H15), trading conditions across the Group have continued to improve and there has been a continued weakening of the Australian dollar.

"Macquarie's annuity-style businesses' – Macquarie Asset Management (formerly Macquarie Funds Group), Corporate and Asset Finance and Banking and Financial Services – combined December 2014 quarter net profit contribution¹ was down on both a strong December 2013 quarter and September 2014 quarter which benefited from significant performance fees in Macquarie Asset Management and the sale of OzForex².

"Macquarie's capital markets facing businesses – Macquarie Securities, Macquarie Capital and Commodities and Financial Markets (formerly Fixed Income, Currencies and Commodities) – experienced improved trading conditions with combined December 2014 quarter net profit contribution¹ up significantly on both the December 2013 quarter and September 2014 quarter."

¹ Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

² OzForex sold in December 2013 quarter.

³ Calculated at 8.5 per cent risk weighted assets (RWA) including capital conservation buffer (CCB), per the 1 January 2016 minimum requirements in the APRA Prudential Standard APS 110.

⁴ Calculated at 7.0 per cent RWA, per the internal minimum Tier 1 ratio of the Bank Group.

Also announced today, Macquarie Funds Group has changed its name to Macquarie Asset Management. Similarly, Fixed Income, Currencies and Commodities has changed its name to Commodities and Financial Markets. This is to better align the names of these groups to their business activities.

Mr Moore provided an overview of recent developments undertaken by the businesses during the December 2014 quarter:

- **Macquarie Asset Management (MAM)**, Australia's largest global asset manager by deal value, saw assets under management increase to \$A453.3 billion at 31 December 2014 from \$A423.3 billion at 30 September 2014. Since 1H15, Macquarie Infrastructure and Real Assets raised \$A2.2 billion in new equity, largely in Pan-Asia infrastructure. Macquarie Investment Management was awarded almost \$A2.1 billion in new, funded institutional mandates across 15 strategies from clients in six countries. Macquarie Specialised Investment Solutions reached first close on the UK Inflation-linked Infrastructure Debt Fund.
- **Corporate and Asset Finance (CAF)** experienced continued growth in the lending and asset portfolios, increasing to \$A29.0 billion at 31 December 2014 from \$A27.5 billion at 30 September 2014. CAF continued to grow its corporate and real estate lending portfolios across all geographies, and the Energy Leasing business continued its key funding role in the rollout of smart meters throughout the UK.
- **Banking and Financial Services (BFS)** increased its Australian mortgage portfolio to \$A22.3 billion at 31 December 2014 from \$A19.8 billion at 30 September 2014. Macquarie platform assets under administration increased by four per cent during the December 2014 quarter to \$A43.2 billion, while retail deposits increased by one per cent during the same period to \$A35.7 billion.
- **Macquarie Securities Group (MSG)** held the No.1 market share position for Australia/New Zealand Initial Public Offerings (IPOs) by number and value of deals⁵ In October 2014, MSG launched its Malaysia Structured Warrants product gaining No.1 market share⁶ in December 2014, establishing Macquarie as a leading issuer in Asia by coverage.
- **Macquarie Capital** completed a number of transactions in the December 2014 quarter including: Joint Lead Manager on the \$A5.7 billion IPO of Medibank Private, the largest Australian IPO in 2014 and the second largest Australian IPO ever; Adviser to Freeport LNG on its landmark equity and debt raising to project finance its LNG export facility in Texas.
- **Commodities and Financial Markets (CFM)** experienced increased volatility in oil and gas prices which generated increased customer activity across the energy platform. The business also experienced stronger client flows in foreign exchange due to increased market volatility. CFM is ranked the No.3 US physical gas marketer in North America⁷.

Capital, funding and balance sheet positions

Macquarie Group remains well capitalised with APRA Basel III Group capital of \$A14.3 billion at 31 December 2014, a \$A1.4 billion surplus to Macquarie's minimum regulatory capital requirements from 1 January 2016³, and a \$A2.6 billion surplus to Macquarie's existing⁴ minimum regulatory capital requirements. The Bank Group APRA Basel III Common Equity Tier 1 capital ratio was 9.0 per cent at 31 December 2014, which was up from 8.7 per cent at 30 September 2014.

The funded balance sheet remains strong and well funded with wholesale and retail deposits of \$A38.8 billion at 31 December 2014 in line with 30 September 2014.

⁵ Dealogic, calendar year 2014.

⁶ Local exchange by turnover.

⁷ Platts, September 2014 quarter.