



ASX / MEDIA RELEASE

Macquarie Group Operational Briefing

Key points

- **Global economic uncertainty has deepened since October 2011, with substantially lower levels of client activity in many markets**
- **Macquarie Funds, Banking and Financial Services and Corporate and Asset Finance performing in line with expectations with a combined FY12 net profit¹ contribution expected to be up on FY11**
- **Fixed Income, Currencies and Commodities Group (FICC) saw improved conditions in a number of markets to deliver December 2011 quarter (December quarter) net profit contribution which was up on pcp and significantly up on the September 2011 quarter**
- **Macquarie Securities Group and Macquarie Capital severely impacted by macroeconomic conditions with December quarter net profit contributions from both significantly down on pcp and prior period**
- **FY12 combined operating income² from capital markets facing businesses (Macquarie Securities, Macquarie Capital and FICC) expected to be down on pcp based on current market conditions**
- **As previously indicated, Macquarie's FY12 result is expected to be lower than FY11**
- **Reported capital surplus at December 2011 (APRA Basel II) remains unchanged from September 2011 at \$A3.5 billion**
- **Capital surplus is expected to allow commencement of a share buyback of up to 10% of Macquarie Group ordinary shares in the first half of FY13, subject to regulatory approval**

Sydney, 7 February 2012 – Macquarie Group Limited (Macquarie) (ASX:MQG;ADR:MQBKY) today provided an update on market conditions, business activity and the outlook for the second half of the financial year ending 31 March, 2012.

Overview

During a presentation at Macquarie's Operational Briefing in Sydney today, Macquarie Chief Executive Officer Nicholas Moore said: "Global economic uncertainty has deepened, resulting in substantially lower levels of client activity in many markets.

¹ Net profit contribution represents operating income less operating expenses, and is reported before profit share and income tax.

² Operating income represents revenues less those expenses directly attributable to the revenues.

However, Macquarie Funds, Banking and Financial Services and Corporate and Asset Finance continue to perform in line with expectations with their combined FY12 net profit contribution expected to be up on FY11.

The Fixed Income, Currencies and Commodities Group saw improved conditions in a number of markets to deliver a December quarter net profit contribution up on pcp and significantly up on the prior period.

Our two other capital markets facing businesses, Macquarie Securities Group and Macquarie Capital, were severely impacted by macroeconomic conditions, with December quarter net profit contributions from both significantly down on pcp and the prior period," Mr Moore said.

Mr Moore noted that the December quarter included the receipt of the \$A300 million cash amount from MAp which has been recorded as income.

Cost reductions across the businesses continued in the quarter with reductions in operating expenses partially offsetting decreases in operating revenue.

Mr Moore said Macquarie was maintaining strong market positions and provided an overview of recent developments undertaken by the businesses:

- Macquarie Funds, the largest Australian-based asset manager and the largest manager of infrastructure assets globally, continued to build out its unlisted infrastructure funds platform and its global distribution platform with senior hires in the US, Europe and Japan. Assets Under Management has decreased from \$A324 billion to \$A314 billion due to \$A16 billion of negative foreign exchange translation against \$A6 billion of positive market movements, net inflows and acquisitions/restructurings.
- Corporate and Asset Finance has acquired lending, meter and rail portfolios and divested non-scalable businesses such as aircraft engine leasing.
- Banking and Financial Services - one of the top ranked full service retail stockbrokers in Australia and Standard & Poor's Product Distributor of the Year (Professional Series) - broadened its annuity platforms to attract new funds and is migrating Macquarie Private Wealth Asia to Julius Baer.
- Macquarie Securities is ranked No 2 by Australian institutional investors, No 3 by Asian institutional investors and No 1 by US and European institutional investors for overall sales and research into Australian equities, and is the No 1 execution broker in Asia for execution quality. Macquarie Securities exited institutional derivatives in the US, UK, Asia and South Africa and listed public derivatives in Germany. It also closed derivatives activities in Paris, Munich and Zurich as well as selected US operations.
- Macquarie Capital, which to December 2011 was ranked No 1 in Australia and New Zealand M&A by number of deals³ and No 1 for Australian Equity and Equity-related deals, entered a strategic collaboration with Julius Baer in Asia and reviewed front and back-office costs and team sizes to reflect market opportunities.

³ Dealogic – Australia and New Zealand M&A completed deals (by deal count) for 1 April 11 - 31 December 11.

- Fixed Income, Currencies and Commodities, the No 4 US physical gas marketer in North America, selectively grew niche physical businesses including physical sugar.

Capital and share buyback

The capital surplus is expected to allow the commencement of a share buyback of up to 10% of Macquarie Group ordinary shares in the first half of FY13, subject to regulatory approval, and for the buyback to proceed concurrent with further capital actions.

Outlook

Since the Group's update to the market on 28 October 2011, Macquarie Securities and Macquarie Capital have continued to experience difficult trading conditions in many markets.

Accordingly, and as previously indicated, Macquarie's result for FY12 is expected to be lower than FY11 with results in the second half of FY12 improving from the first half of the year. The expected increase between the first and second halves is principally due to a significantly improved contribution from FICC and the MAP cash amount which will offset a weaker contribution from Macquarie Securities.

The FY12 outlook is also subject to the completion rate of transactions and the conduct of period end reviews.

In addition to market conditions, the FY12 result remains subject to a range of other factors including: movements in foreign exchange rates; cost of a continued conservative approach to funding and capital; and regulation including the potential for regulatory changes.

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