



ASX/Media Release

MACQUARIE GROUP OPERATIONAL BRIEFING

Key points

- **Market conditions continue to track back to more normal levels, with the exception of equity markets where volumes remain subdued**
- **December 2010 quarter operating result was significantly up on the subdued September and June quarters**
- **December 2010 quarter operating result for all groups, except Macquarie Securities, was up on the December 2009 quarter, however the Group overall was down on the stronger December 2009 quarter**
- **Organic growth initiatives continue and strong market positions maintained across the Group**
- **Group capital of \$A12 billion at 31 December, a \$A3.2 billion buffer in excess of the Group's minimum regulatory capital requirement**
- **Subject to market conditions continuing to return to more normal levels as well as other factors including the timing of completion on transactions and normal year end procedures, currently anticipate 2H11 to be approximately 35% up on subdued 1H11 and 2H11 down approximately 5% on pcp**
- **Strong balance sheet with excess funding levels expected to continue to be deployed across the business**

SYDNEY, 8 February 2011 – Macquarie Group (Macquarie) (ASX: MQG; ADR: MQBKY) today provided an update on market conditions, business activities and the outlook for the second half of the financial year ending 31 March 2011.

Overview

In a presentation at Macquarie's Operational Briefing in Sydney today, Macquarie Managing Director and Chief Executive Officer, Nicholas Moore said: "market

conditions continue to trend back to more normal levels, with the exception of equity markets where volumes remain subdued.”

The December quarter operating result for the group was significantly up on the subdued September and June quarters, consistent with improved market conditions.

Mr Moore said Macquarie had maintained its strong market positions and provided an overview of organic growth initiatives that continue across the Group:

- Macquarie Securities Group, the world's ninth-largest research house, is consolidating the build out of its cash equities and derivatives businesses in Europe and the US.
- Macquarie Capital was ranked number one in Australian M&A by number of deals in calendar 2010 and won a number of industry awards in recognition of its role in landmark deals completed in 2010.
- Fixed Income Currencies and Commodities, which in North America remains the fourth-largest physical gas marketer, continues to expand its Asian business out of the recently-established Singapore hub. It extended Macquarie Bank Limited Seoul Branch activities to include over-the-counter derivatives in the December quarter.
- Macquarie Funds Group is now positioned as the largest Australian-based asset manager. It continues the consolidation of the Delaware Investments business and Macquarie Infrastructure and Real Assets Division, providing it with a scaleable global platform.
- Corporate and Asset Finance continues to grow its loan and asset portfolio which includes financing more than 16,000 motor vehicles in Australia and completing a further \$A500 million Australian motor vehicle lease and loan securitisation in the December quarter. The group continues geographic expansion of its technology leasing capacity in Asia and the growth of its vendor / channel financing programs.
- Banking and Financial Services, Australia's number one-ranked retail full-service stockbroker, continues to build its client base. At 31 December 2010, it had more than one million clients globally.

Strong funding and balance sheet position

Mr Moore said Macquarie's balance sheet position remained strong with Group capital of \$A12 billion at 31 December 2010, a \$A3.2 billion buffer of capital in excess of the Group's minimum regulatory capital requirements.

The Banking Group's capital ratios remained strong with Tier-1 capital of 10.6 per cent and total capital of 12.2 per cent.

Noting that the final form of Basel III in Australia is subject to implementation by APRA, Mr Moore said: “Macquarie continues to monitor regulator and other market developments and remains well-capitalised and well-funded.”

Outlook

Mr Moore said that at the result announcement for the first half of the 2011 financial year, it was foreshadowed that subject to market conditions returning to more normal levels during the second half, it was anticipated that the 2011 full-year result would be broadly in line with the 2010 full-year result.

“Our December quarter result reflected improved market conditions across all groups except Macquarie Securities Group, where equity market volumes remain subdued.

“Subject to market conditions continuing to return to more normal levels, as well as other factors including the timing of completion on transactions and normal year end procedures, we currently anticipate the second half result to be approximately 35% up on the subdued first half and the second half result to be approximately 5% down on the previous corresponding period,” he said.

“We expect FY11 trading will still be characterised by fewer one-off items, the compensation ratio being consistent with historical levels and the continued higher cost of funding, reflecting market conditions and high liquidity levels.

“Excess funding levels on the balance sheet are expected to continue to be deployed across the businesses,” Mr Moore said.

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