



MACQUARIE

Macquarie Group Limited

Potential Capital Raising
Presentation

1 May 2009

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Nicholas Moore, Managing Director and Chief Executive Officer
Greg Ward, Chief Financial Officer



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Key details of offer

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Key details

Issuer	Macquarie Group Limited
Offer size	\$A540m institutional placement
Other capital initiatives	<ul style="list-style-type: none">▪\$A500m share issue to Employee Share Trust subject to shareholder approval at the AGM in July 2009▪Share purchase plan of ordinary share capital
Percentage of equity capitalisation	7%
Placement price	\$27 per share (13.2% discount to 5 day VWAP) includes final dividend of \$A0.40 per share franked to 60%
Timing	1 day trading halt Books open – 10:00am, Friday 1 May Books close – 5:00pm, Friday 1 May Trade date – Monday 4 May 2009 Shares recommence trading – Monday 4 May 2009 Placement settlement date – Thursday 7 May 2009
Joint lead managers	Macquarie Capital Advisers, Credit Suisse and Goldman Sachs JBWere
Co-lead manager	CLSA, RBS Equity Capital Markets



Continued profitability in a testing year

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- Profit of \$A871m (in line with guidance provided at Feb 09 Operational Briefing), down 52% on pcp
 - 2H09 profit \$A267m vs 1H09 profit \$A604m
- Operating income before write-downs, impairments, equity accounted losses and other one-off items¹ \$A7.6b, down 14% on pcp (in line with guidance provided at Feb 09 Operational Briefing)
 - 2H09 \$A3.5b vs 1H09 \$A4.1b
- Results marked by a significant number of one-off items resulting from volatile markets:
 - Write-downs of \$A2.5b for the full year²
 - 2H09 charges of \$A1.4b vs 1H09 charges of \$A1.1b
 - Write-downs stem from continued deterioration of markets and provisions on investments held for long-term investor alignment
 - Gain of \$A197m on financing acquisition of MIPS and \$A274m unrealised gain relating to fair value adjustments of issued fixed rate subordinated debt
 - Very low income tax expense
- Total operating income after one-off items \$A5.5b, down 33% on pcp
- Employment expenses down \$A1.8b or 44% on pcp
- Final dividend of \$A0.40 per share franked to 60%, total dividend for FY09 is \$A1.85 per share, down 46% on pcp

1. This represents operating income before write-downs, impairment charges, equity accounted losses, provisions and one-off items of income including the profit on the purchase of the MIPS and the fair value adjustment of fixed rate issued debt relating to changes in the market price of Macquarie's credit spreads. 2. Write-downs include impairment charges on loans and equity investments, equity accounted losses and other charges for provisions



Strong funding and balance sheet position

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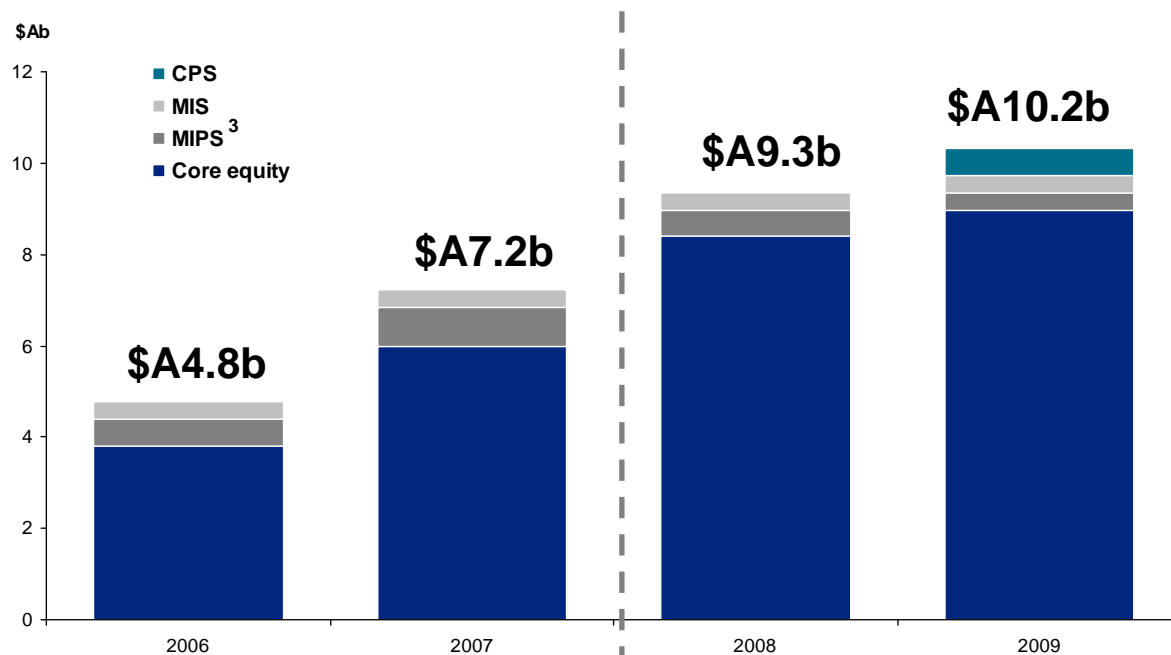
- **Cash and liquid assets** of \$A30.3b (\$A20.8b Mar 08) significantly exceed short-term wholesale issued paper of \$A7.7b (\$A19.8b Mar 08)
- **Funded balance sheet well matched**
- **Total deposits increased from \$A13.2b at Mar 08 to \$A18.8b at Mar 09**, with retail deposit growth particularly strong
- **Term funding raised** since 31 Mar 08 of \$A21.5b
- **Balance sheet initiatives** totalling \$A15b completed
- **Capital of \$A10.2b**, \$A3.1b in excess of the Group's minimum capital requirement. MBL Banking Group capital ratios: Tier 1 - 11.4%; Total Capital - 14.4%
 - prior to completion of stated capital raising initiatives



Consistently strong capital base

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- Well capitalised – surplus over minimum regulatory requirements of \$A3.1b
- Increased regulatory capital by approximately \$A5.4b over the past three years
 - Majority of capital raised before global financial crisis - \$A3.6b¹



Increases in capital since 1 Apr 06	\$Ab
Retained earnings ²	1.8
Capital generation from DRP, option exercise and share purchase plans	1.5
Equity capital raising in May 06	0.7
Equity capital raising in May 07	0.8
Hybrid capital raising in Jul 08	0.6
Total increase in capital	5.4

Pre-restructure: Tier 1 regulatory capital (Basel I) | Post-restructure: Eligible regulatory capital (Basel II)

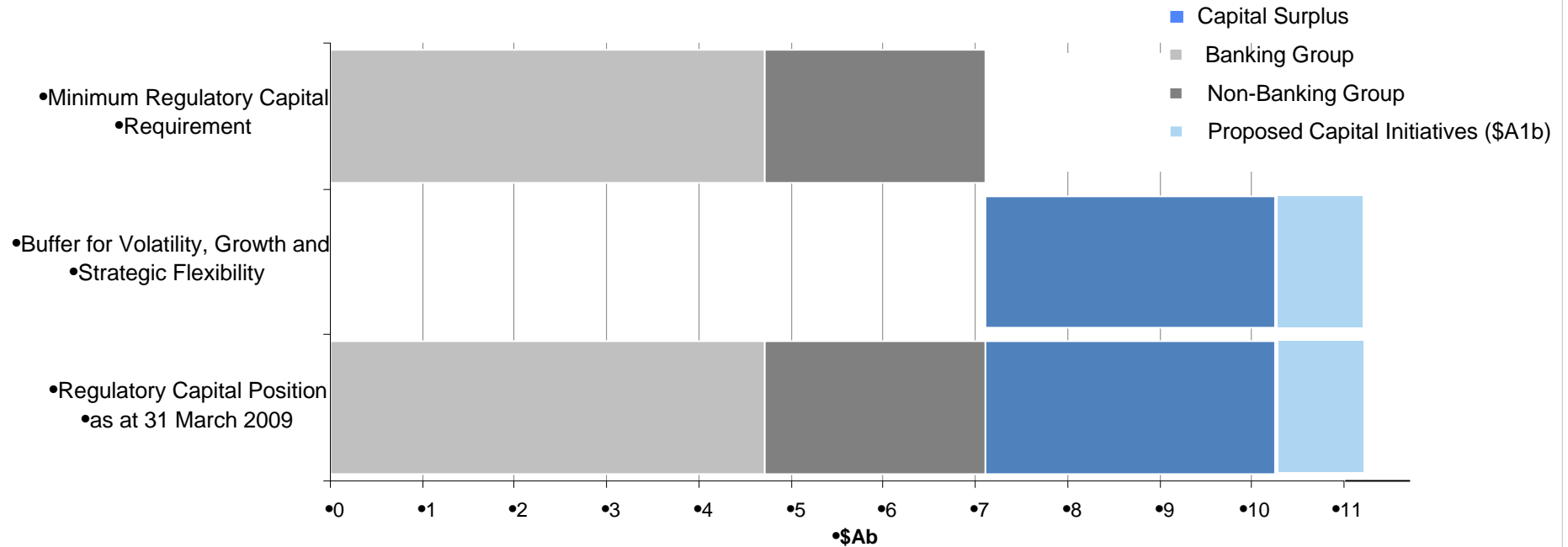
1. From 1 Apr 06 to 31 Jul 07 . 2. Represents movement in regulatory retained earnings (net of dividends paid) from 1 Apr 06 to 31 Mar 09. 3. MIPS shown net of amounts held by Macquarie related entities



Regulatory capital strong

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Proforma¹ Macquarie Group Limited – Regulatory Capital Position (Mar 09)



- \$A4.1b expected buffer of capital in excess of the Group's minimum capital requirements

1. Inclusive of approx \$A1b of new ordinary capital from a combination of institutional placement, proposed issue to Employee Share Trust and share purchase plan of ordinary share capital



Equity raising – further strengthening Macquarie’s capital position

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- Further enhances Macquarie’s strong capital position
 - Together with shares to be issued to Employee Share Trust (subject to shareholder approval at AGM on 29 July 09), increases the surplus regulatory capital to \$A4.1b
- Additional capital provides flexibility to continue to take advantage of current and future market opportunities
 - e.g. Constellation Energy’s downstream natural gas trading operations
- Ensures Macquarie continues to be well positioned within global markets
- Placement and share purchase plan give shareholders the ability to participate in share offering alongside staff if the shares to be issued to the Employee Share Trust are approved at AGM on 29 Jul 09



Proposed changes to remuneration arrangements

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- Macquarie's remuneration approach aims to:
 - align the interests of staff with shareholders; and
 - attract and retain quality staff
- Remuneration arrangements refined in light of global remuneration and regulatory trends
- Proposed changes remain consistent with Macquarie's long-standing approach
- Proposals expand on modifications made in 2008 which included an increase in the portion of performance based profit share deferred and allocated as equity for the CEO and other members of the Group's Executive Committee
- Key proposed changes announced during FY09 include:
 - For Executive Directors (EDs), profit share paid out in cash will be reduced and the percentage of retained profit share will be increased with retained profit share fully invested in a combination of fully paid ordinary Macquarie shares and Macquarie-managed fund equity
 - For EDs the vesting and payout schedule for retained profit share has been changed to 3-7 years
 - Amend payout of unvested retained profit share for departing EDs to include clawback provisions
 - Transitional arrangement that will align the old and new schemes
 - For all staff other than EDs, any retained profit share will be delivered in future in fully paid ordinary Macquarie shares
 - New share options granted will be substantially reduced, restricted to CEO and Executive Committee members, resulting in a reduction in the share options expense over time
 - If approved by shareholders, currently estimated that approx \$A500m of primarily prior years' and some current year retained profit will be applied to the grant of fully paid ordinary Macquarie shares. These will be provided via the issue of new shares, priced at VWAP¹ from 4 May 09 to 29 Jul 09
- Proposed changes to apply to remuneration for current year as well as future years
- Shareholder approval to be sought at July AGM
- Aim to deliver best outcome for Macquarie and shareholders

1. VWAP: Volume Weighted Average Price



Macquarie model – focus over the medium term

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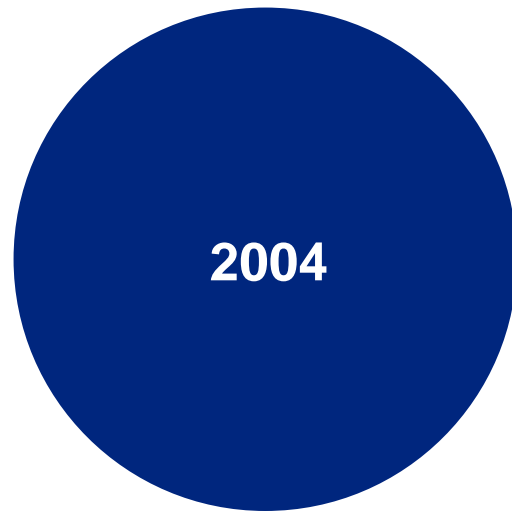
- Client driven business
 - Main business focus is providing products and services to clients
 - Trading businesses focussed on client transactions
 - Minimal proprietary trading
- Alignment of interests with shareholders, investors, staff
 - Alignment through co-investment by Macquarie Group and staff
 - Performance driven remuneration
- Conservative approach to risk management
 - Conservative capital and funding profiles
 - Apply a stress test approach to all risk types, examining the consequences of worst case outcomes and gaining confidence they can be tolerated
 - Determine aggregate risk appetite by assessing risk relative to earnings more than by reference to capital
- Incremental growth and evolution
 - Significant portion of profit comes from businesses that did not exist five years ago but grow from areas of real expertise
 - Business initiatives driven from within the Operating Groups which are closest to markets and clients
- Diversified by business and geography
- An ability to adapt to change



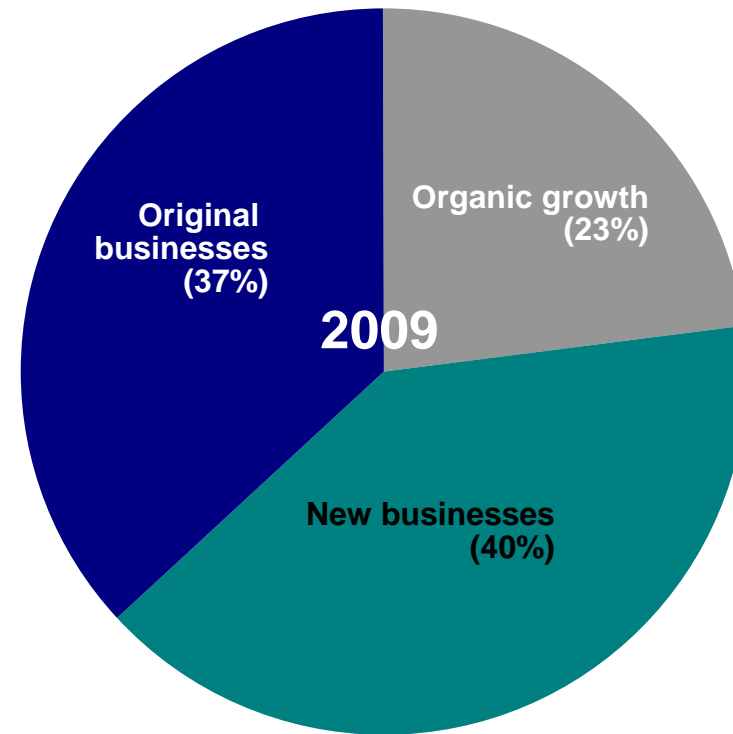
Macquarie model – focus over the medium term 2004-2009

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Operating income



\$A2.8b



\$A7.6b¹

40% of FY09 operating income¹ comes from businesses that did not exist 5 years ago

1. Represents operating income before loan provisions, impairment charges, equity accounted losses and one-off items of income.



Outlook

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- Market conditions likely to remain challenging, making short-term forecasting extremely difficult
- We continue to maintain a cautious stance with a conservative approach to funding and capital
- FY10 trading likely to be characterised by:
 - Income statement:
 - fewer one off items (e.g. write-downs and provisions)
 - higher compensation ratio to be consistent with historic levels
 - increased effective tax rate to be consistent with historic levels
 - lower earnings on capital reflecting lower global interest rates
 - higher cost of funding inclusive of approx \$A200m for Australian government guarantee
 - Balance sheet:
 - decrease in cash balances as funds deployed across the businesses
 - maintain equity investments at or below existing levels
 - lower investment levels in listed funds
- Strong balance sheet, strong team and market conditions provide opportunities for medium term growth, building upon
 - Strength, diversification and global reach of our businesses
 - Ongoing organic growth initiatives and incremental acquisitions
 - Effective risk management