

MACQUARIE

Macquarie Group Limited

**Goldman Sachs JBWere Sixth Annual Australasian
Investment Forum
September 2010**

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Disclaimer

Disclaimer

This material has been prepared for professional investors.

The firm preparing this report has not taken into account any customer's particular investment objectives, financial resources or other relevant circumstances and the opinions and recommendations herein are not intended to represent recommendations of particular investments to particular customers. All securities transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk. Due care and attention has been used in the preparation of forecast information. However, actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts, by their very nature, are subject to uncertainty and contingencies many of which are outside the control of Macquarie Group Limited ("Macquarie").



Agenda

1. About Macquarie
2. Recent Activity
3. 1Q11 Update
4. Outlook
5. Appendix A – FY10 Review



1. About Macquarie

Macquarie Group Limited

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About Macquarie

- Global provider of banking, financial, advisory, investment and funds management services
- Main business focus is providing products and services to clients
- Listed on Australian Securities Exchange (ASX: MQG; ADR: MQBKY)
- Regulated by APRA, Australian banking regulator, as non-operating holding company of a licensed Australian bank
- Assets under management \$A343b¹
- Founded in 1969, currently operates in more than 70 office locations in 28 countries and employs over 14,600 people



Major business activities

Macquarie Capital

- Mergers and acquisitions, takeovers and corporate restructuring advice
- Equity capital markets, equity and debt capital management and raising
- Debt structuring, distribution and debt capital markets

Fixed Income, Currencies and Commodities

- Trading, sales, research and finance covering:
 - Fixed income – interest rate, debt and credit securities
 - Currencies – foreign exchange spot, forward and tailored services
 - Commodities – metals, energy, environmental products, agriculture, freight, bulk commodities and complementary futures services

Macquarie Securities Group

- Institutional cash equities and equity capital markets services through joint venture with Macquarie Capital Advisers
- Derivatives DeltaOne Trading:
 - Institutional/retail derivatives
 - Structured equity finance
 - Arbitrage trading
 - Synthetic products
 - Global securities finance

Banking and Financial Services Group

- Tailored cash solutions: CMA, term deposits, Cash XL
- Advice: Premium Portfolio service, wealth mgt, private bank, private portfolio mgt, full service stockbroking
- Intermediary: Macquarie Wrap, Coin Financial Planning software, mortgages, life insurance
- Direct services: Macquarie Edge online trading and credit cards
- Relationship banking services
- Funds management and administration

Macquarie Funds Group

- Offers a range of investments across a variety of asset classes, including:
 - Equities
 - Listed infrastructure
 - Listed real estate
 - Currencies
 - Fixed income
 - Cash
 - Commodities
 - Private equity and hedge fund of funds
 - Structured products
- Alternative asset funds management, including infrastructure and real estate funds

Corporate and Asset Finance Division

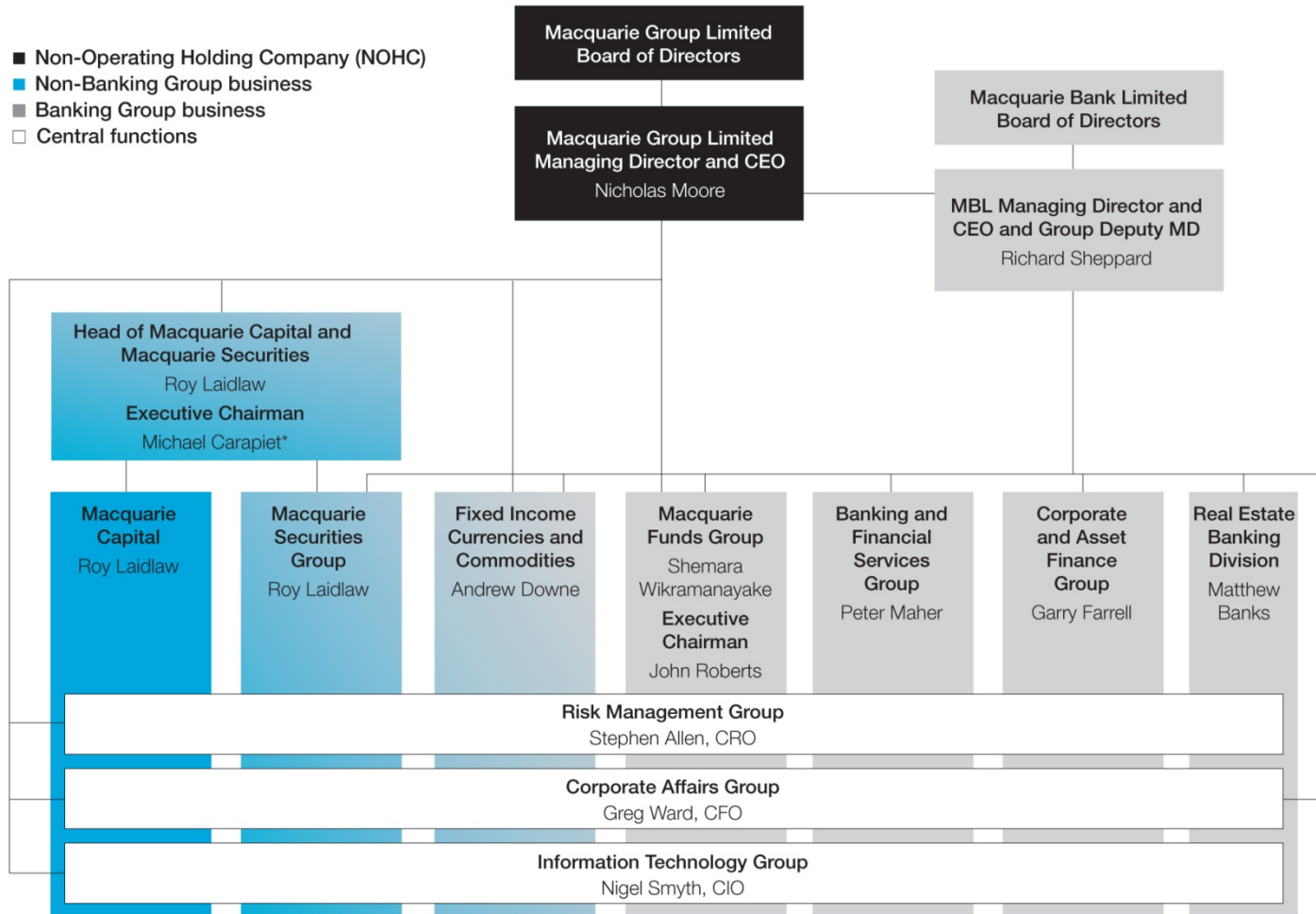
- Leasing and asset finance
- Tailored debt and finance solutions for clients
- Asset remarketing, sourcing and trading

Real Estate Banking Division

- Real estate funds management
- Asset management
- Real estate investment, advisory and development management
- Real estate project and development financing



How we are organised

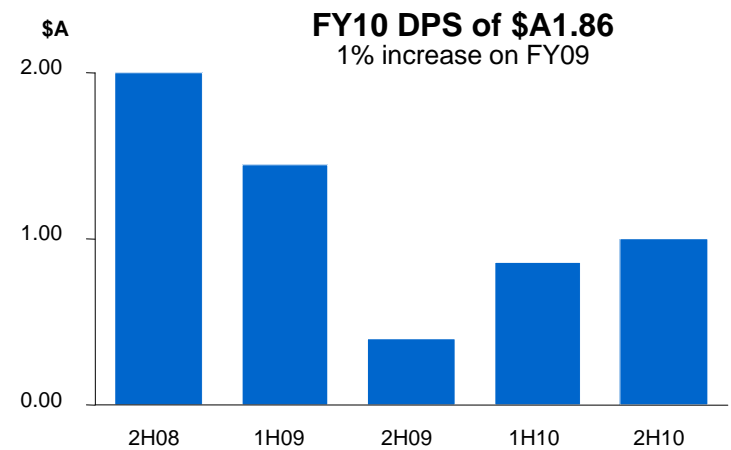
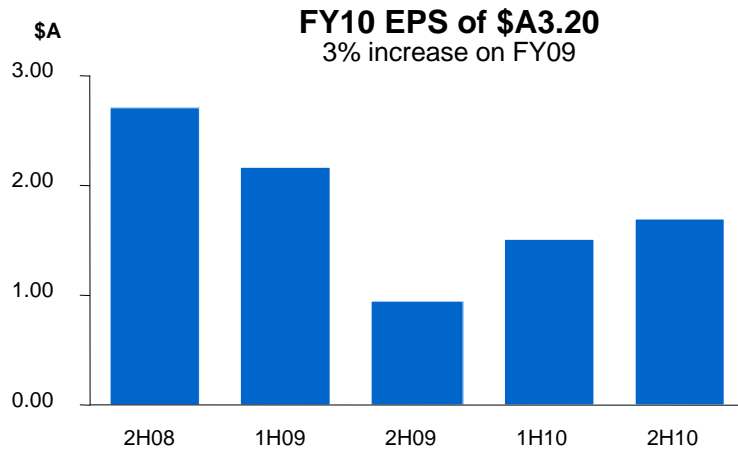
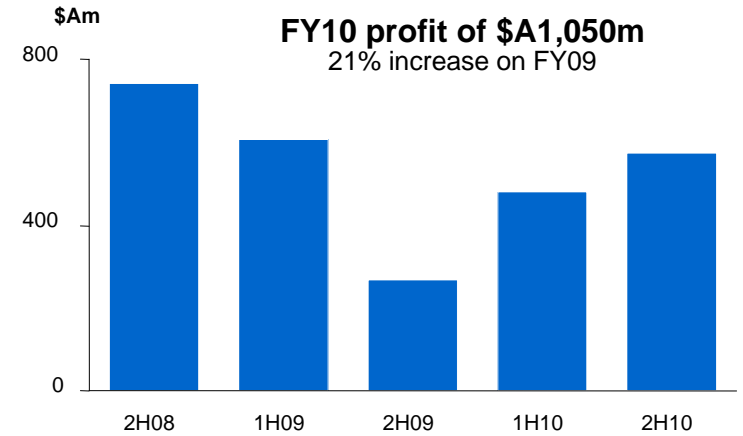
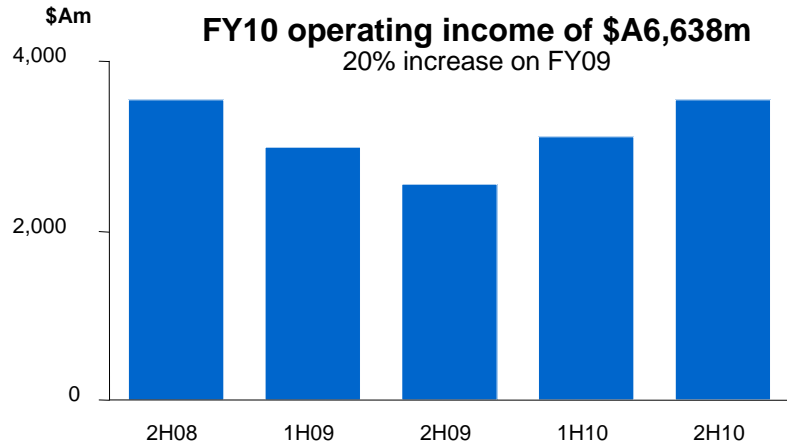


*Mr Carapiet's role is related to Non-Banking Group businesses



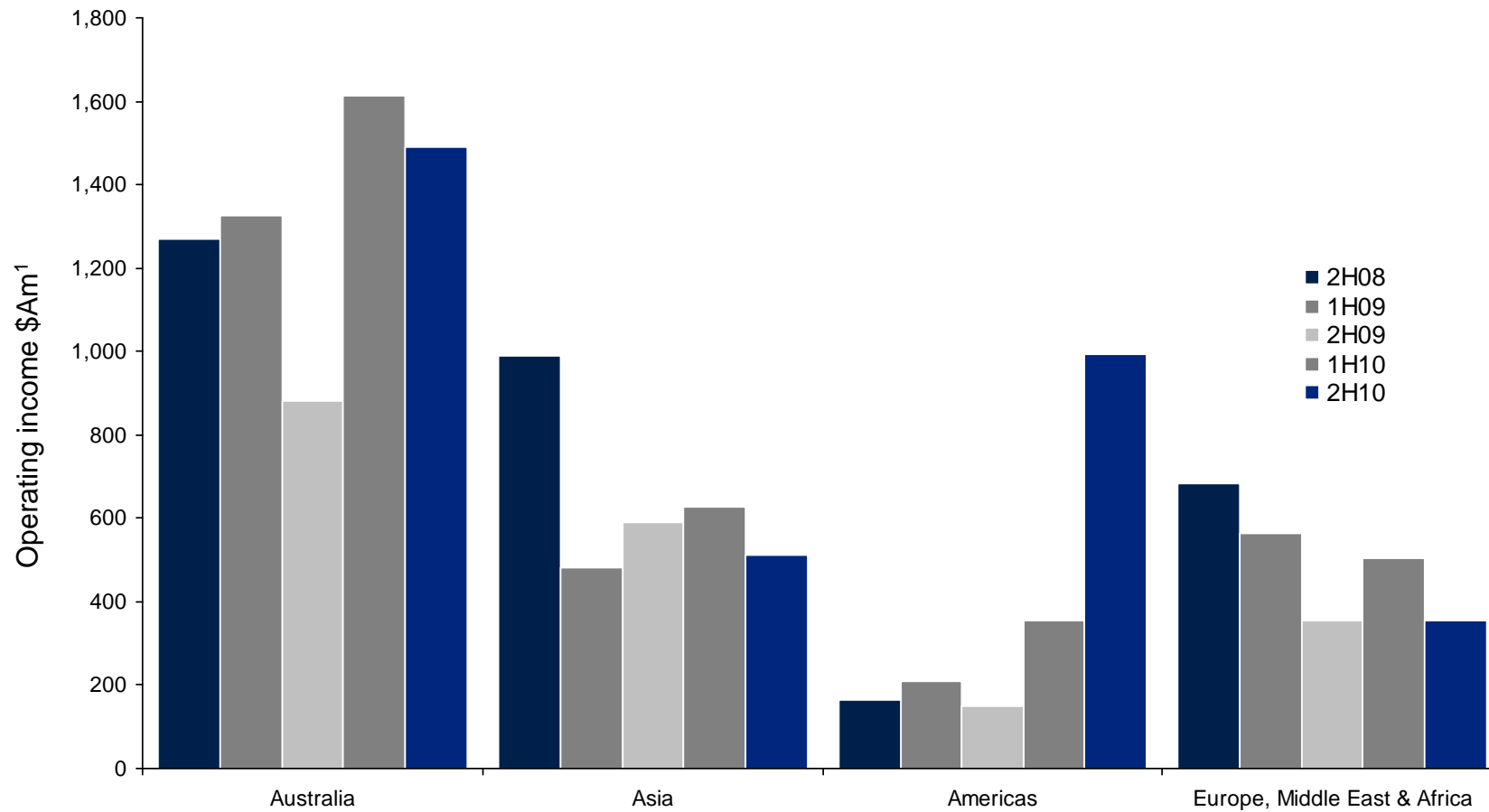
Financial performance

Full year ended 31 March 2010





Operating income by region



1. Operating income excludes earnings on capital and other corporate items.



Diversified by region

International income¹ 52% of total

Total staff over 14,600²; international staff 50% of total

EUROPE, MIDDLE EAST & AFRICA³

Income: \$A863m (13% of total)
Staff: 1,473



ASIA

Income: \$A1,139m (18% of total)
Staff: 2,410



AMERICAS

Income: \$A1,349m (21% of total)
Staff: 3,478



AUSTRALIA

Income: \$A3,098m (48% of total)
Staff: 7,296

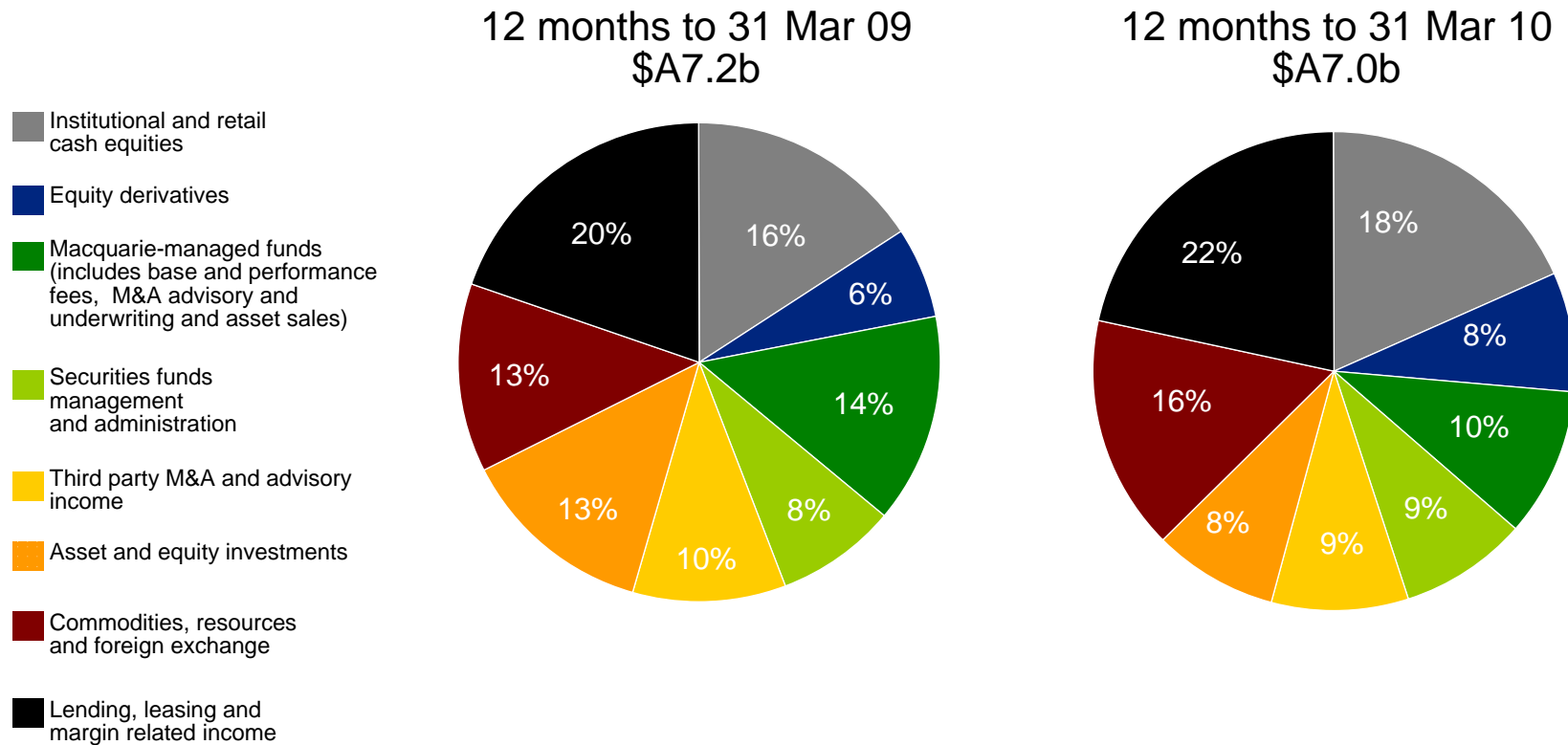
1. Income for full year to 31 Mar 10. Income in each region excludes earnings on capital and other corporate items. 2. Staff numbers at 31 Mar 10. 3. Excludes staff in Macquarie First South joint venture. 4. Staff seconded to joint venture not included in official headcount (Moscow: Macquarie Renaissance, Savannah: Medallist).



Diversified income

Operating income by source

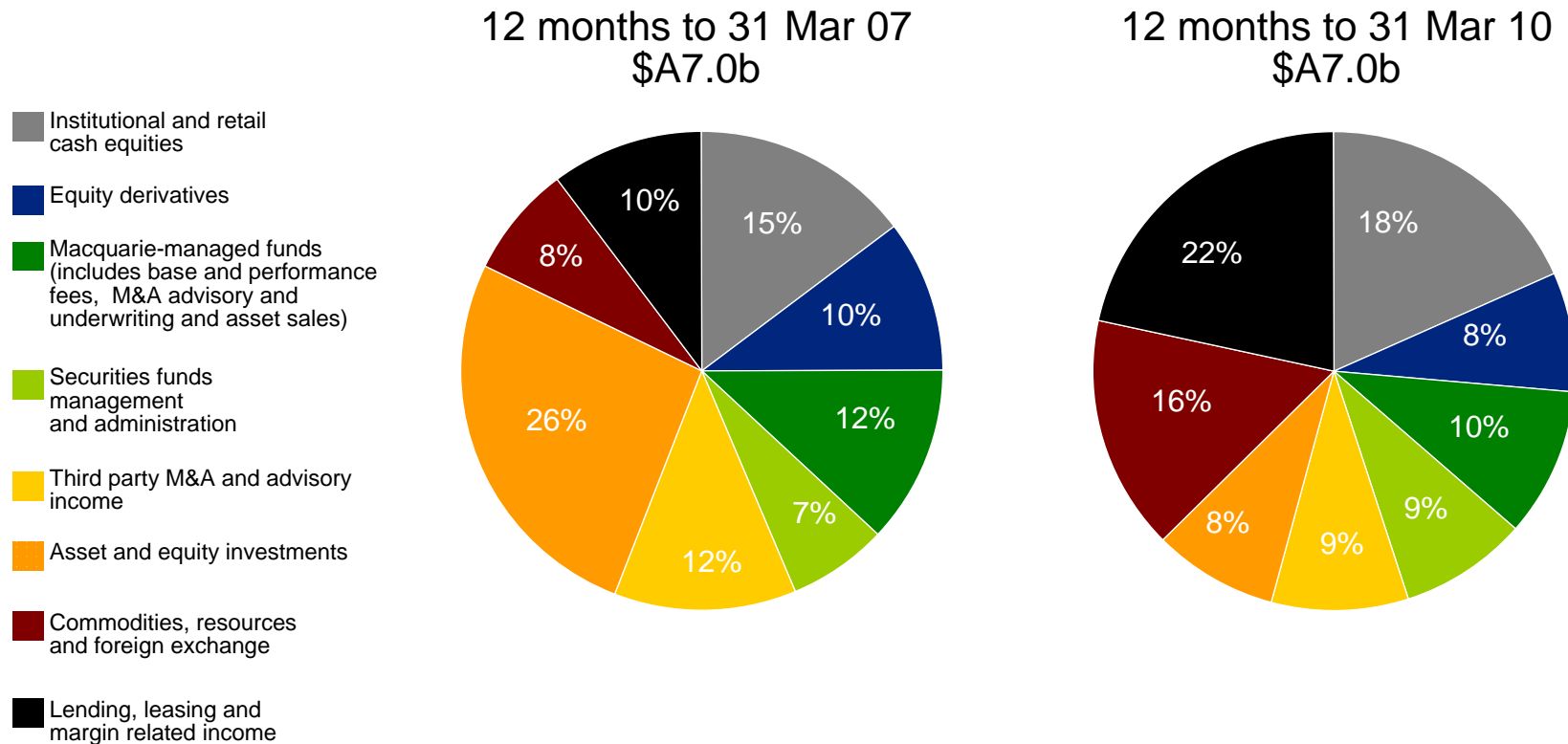
Operating income before loan provisions, impairment charges, equity accounted losses and one-off items of income





Diversification of operating income driven by evolution of the business over the last 3 yrs

Operating income before loan provisions, impairment charges, equity accounted losses and one-off items of income





Macquarie model

Focus over the medium term

- 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 that 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 grew 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

Building for the future

Macquarie Securities	Macquarie Capital	Macquarie Funds Group
<ul style="list-style-type: none"> ▪ Acquisitions: Sal. Oppenheim, Fox Pitt Kelton Cochrane Caronia Waller (FPK) and Tristone ▪ 100% increase in research coverage: US, Canada, Europe ▪ Development of structured product capability in new markets – India and Germany ▪ Investment in electronic execution and programme trading ▪ 52 director level hires 	<ul style="list-style-type: none"> ▪ Acquisitions: FPK and Tristone ▪ Established Debt Capital Markets business in US ▪ 3 new offices: Buenos Aires, Mexico City, Moscow ▪ 40 director level hires 	<ul style="list-style-type: none"> ▪ Acquisition: Delaware Investments ▪ Continuing expansion with global fixed income product and wholesale leverage business ▪ 6 director level hires
Fixed Income Currencies and Commodities	Corporate and Asset Finance	Banking and Financial Services
<ul style="list-style-type: none"> ▪ Asian initiatives including Korean branch and a Singapore-based physical oil trading capability established ▪ US credit business build-out 	<ul style="list-style-type: none"> ▪ Acquisitions: GMAC auto finance portfolio (Approx. \$A1b); ILFC aircraft leasing portfolio (Approx. \$A1.7b) ▪ 6 director level hires 	<ul style="list-style-type: none"> ▪ Acquisition: Blackmont Capital ▪ Relaunch of Australian mortgage business ▪ 33 director level hires



2. Recent Activity

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Key recent initiatives

■ Significant initiatives completed across the Groups

— Acquisitions

- Sal Oppenheim (Macquarie Securities) – Completed Apr 10
- Delaware (Macquarie Funds) – Completed Jan 10
- Blackmont Capital (Banking and Financial Services) – Completed Jan 10
- Automotive, Aircraft and IT leasing books (Corporate and Asset Finance) – Completed FY10 and FY11

— Organic Growth

- Over 130 director level hires in FY10 across operating groups

— Continued to Strengthen Balance Sheet

- Increased cash and liquid assets, including CMT/CMA initiative, over \$A29b as at 30 June 10 (proforma)¹
- Extended maturity profile of debt to approx. 3.8 years²
- Reduced reliance on short-term wholesale funding markets, 4% of funding sources as at 30 Jun 10 (proforma)³

— Continued expansion of unlisted specialist funds

— Re-organisation of operating groups to align business activity and client contact

1. 30 Jun 10 proforma includes the impact of the CMT/CMA initiative 2. post \$US500m 144A issuance in Aug10 3. 7% as at 31 Mar 10, 10% as at 31 Mar 09



Update on recent initiatives

Macquarie Securities

- A global specialist offering unique insights into energy, resources, commodities, infrastructure, real estate, quant and FIG sectors driven by deep knowledge of the Asia Pacific region
- Currently 9th largest broker based on global stock coverage – Over 2,400 stocks covered globally
- Maintained No.1 market share in Australia and growing in other regions. Maintained top three listed warrants market share in Hong Kong, Singapore, Australia and Korea.

Acquisitions:

- Tristone:
 - Staff located in London, Denver and Calgary
- FPK:
 - Staff located in New York, Hartford, Boston, Chicago and London
 - Added FIG sector expertise in North America and Europe to complement Macquarie's well established FIG position in the Asia-Pacific region
 - Brought FIG research to approximately 765 stocks globally

Organic growth:

- 52 selective director level hires globally since FY09

Acquisitions:

- Sal Oppenheim – Equity Trading and Derivatives
 - Staff located in Germany and Switzerland
 - Complements existing Asian derivatives operation and adds a wider set of products to its growing European business
- Sal Oppenheim – Cash:
 - Cash equities business comprising equities research, sales and trading and execution functions focused on continental Europe
 - Staff located in Germany, France and Switzerland

Macquarie Capital

- Integrated global M&A, DCM, ECM and principal investing platform specialising in Infrastructure, FIG, Real Estate, Industrials, TMET and Resources
- The leading Asia-Pacific ECM house, plus rapidly expanding advisory and ECM capabilities across Canada, the US, the UK, Germany and South Africa (MacCap completed a number of IPOs in all these regions during FY10)

Acquisitions:

- Tristone:
 - Closed 17 M&A transactions worth \$C6.3b
 - Macquarie ranked No.3 globally in FY10 by oil and gas M&A deal count (including undisclosed and private deals)¹
- FPK:
 - Participated in 12 new financings/raising over \$US44b for US and European financial institutions
 - US and Europe closed 11 FIG Advisory transactions worth \$US1.3b

Organic growth:

- New offices: Buenos Aires, Mexico City and Moscow
- New senior hires: Over 40 new director-level hires during FY10²
- New products: established DCM business in the US, taking part in \$US3b of book-runs and \$US3b of co-manager deals in four months

1. Bloomberg. 2. In addition to the director-level appointments associated with the acquisitions of Tristone and FPK.



Update on recent initiatives

Fixed Income, Currencies & Commodities

- Specialist in global commodity markets offering tailored price risk management solutions to significant commodity producers and consumers
- Top 5 North American physical gas marketer and highest ranked finance house in North America giving Macquarie and its clients important insights to energy market dynamics
- Leading arranger and placement agent in Australian primary debt markets and increasing participant in the US corporate debt markets

Organic growth:

- Energy Markets:
 - Energy Markets Division consolidated its North American gas and power franchise under the name Macquarie Energy
- Asian expansion:
 - Selective Asian growth initiatives with a Korean branch licence granted in 2H10 and the establishment of a Singapore-based physical oil trading capability
- Credit Trading:
 - Finalisation of the US build-out of the Credit Trading business and a focus on opportunities in Europe

Organic growth:

- Emerging Markets:
 - Building upon the Miami based, Latin American facing operation
 - Continued its growth in NY and began expansion into Europe
- Physical shipping:
 - Shipping of coal, LNG, oil
 - Freight – wet and bulk freight trading services
- Fixed Income and Currencies:
 - Expansion in NY, London and Asia

Macquarie Funds Group

- Over \$A320b in Assets under Management¹
- Strength and discipline of an institutional manager with the responsiveness and innovation of a boutique
- Maintained top five ranking among Australian investment managers.
- Leading alternative asset funds manager with over \$A100b of Assets Under Management across 100 businesses²

Acquisitions:

- Delaware Investments:
 - Approx \$A151b in AUM (as at 31 Mar 10)
 - Now branded "Delaware Investments, a member of Macquarie Group"
 - Ability to offer Macquarie product into US distribution platform across a variety of asset classes including infrastructure securities, REITs and commodities

Organic growth:

- Selectively recruited 6 director level hires as part of organic expansion, particularly in the fundamental team within Listed Equities and the fund derivative capability in the US

1. On 2 July 2010, Macquarie Capital Funds merged with Macquarie Funds Group and was renamed Macquarie Funds Direct, AuM Includes Macquarie Funds Direct 2. As at 30 Jun 10.



Update on recent initiatives

Corporate and Asset Finance

- Strong technical expertise to provide finance and asset management solutions to over 200,000 clients
- Over \$A13.6b of assets¹, including corporate debt and leased autos, IT&T, manufacturing, infrastructure/energy, rail and aviation engines
- Leading Australian independent motor vehicle financier

Acquisitions:

- Aviation Leasing
 - Acquired a portfolio of 47 modern aircraft on lease to 35 airlines in 27 countries from International Lease Finance Corp for approx. \$US1.7b
 - Completion to occur over remainder of calendar 2010
- IT Leasing
 - Acquisition of Technology Services Division of RTS and management of RTS's approx. \$US500m lease portfolio
 - Adds technology services capability to existing US equipment finance business and expands client base to over 2,400 companies in North America
- Motor Vehicle Leasing
 - \$A1.0b auto finance portfolios acquired as Ford Credit exits the Australian market
 - \$A1.0b auto finance portfolios acquired as GMAC exits the Australian market

Organic growth:

- 6 director level appointments with expertise in leasing, lending, credit, legal and M&A

Banking and Financial Services

- Premium advice, service and products to Australian retail investors through Australia's No.1 Full Service Retail Stockbroker, market leading platforms, supported by the largest cash hub in the country, and seeks to replicate this model in its international businesses in North America, Asia, and the UK
- Macquarie Wrap Solutions is one of Australia's leading platforms

Acquisitions:

- Macquarie Private Wealth (Canada) (formerly Blackmont Capital)
 - Total assets under management: \$C8.25b¹, up 5% from acquisition
 - Cross referral activities underway: e.g. opportunities for MPW advisors to bring corporate advisory clients and private placements to Macquarie Capital
 - Expansion of research coverage from 100 stocks to approx 450 across Canada and the US
 - Continued growth in revenue expected for both Macquarie Capital and BFS

Organic growth:

- Selectively recruited 33 director level hires as part of the group's expansion into the UK and Asian financial services markets and also in specialist areas including insurance and Service and Operations in the Australasian market



3. 1Q11 Update

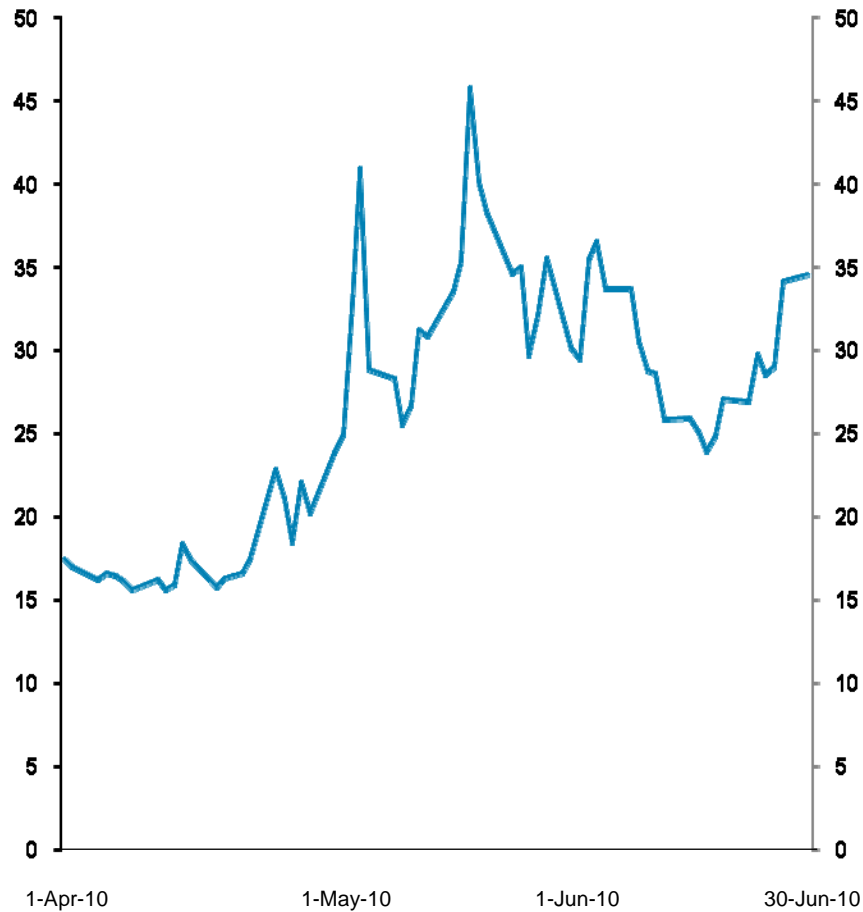
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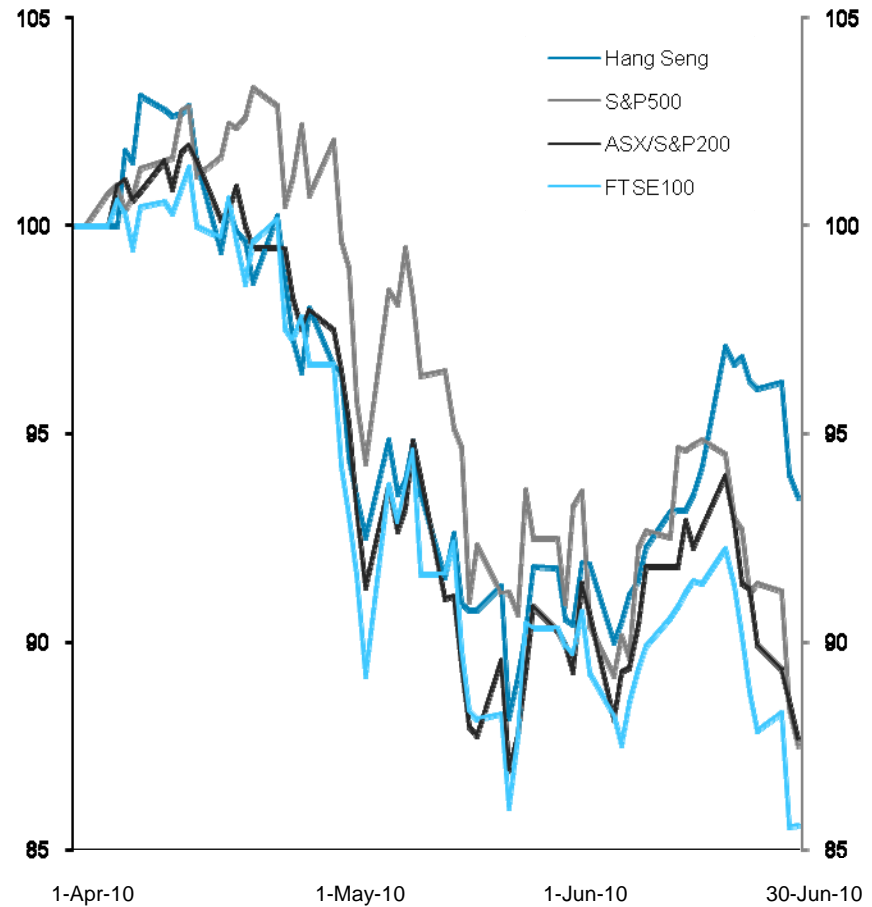


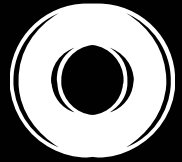
Confidence declining in 1Q11

VIX Volatility "Fear" Index



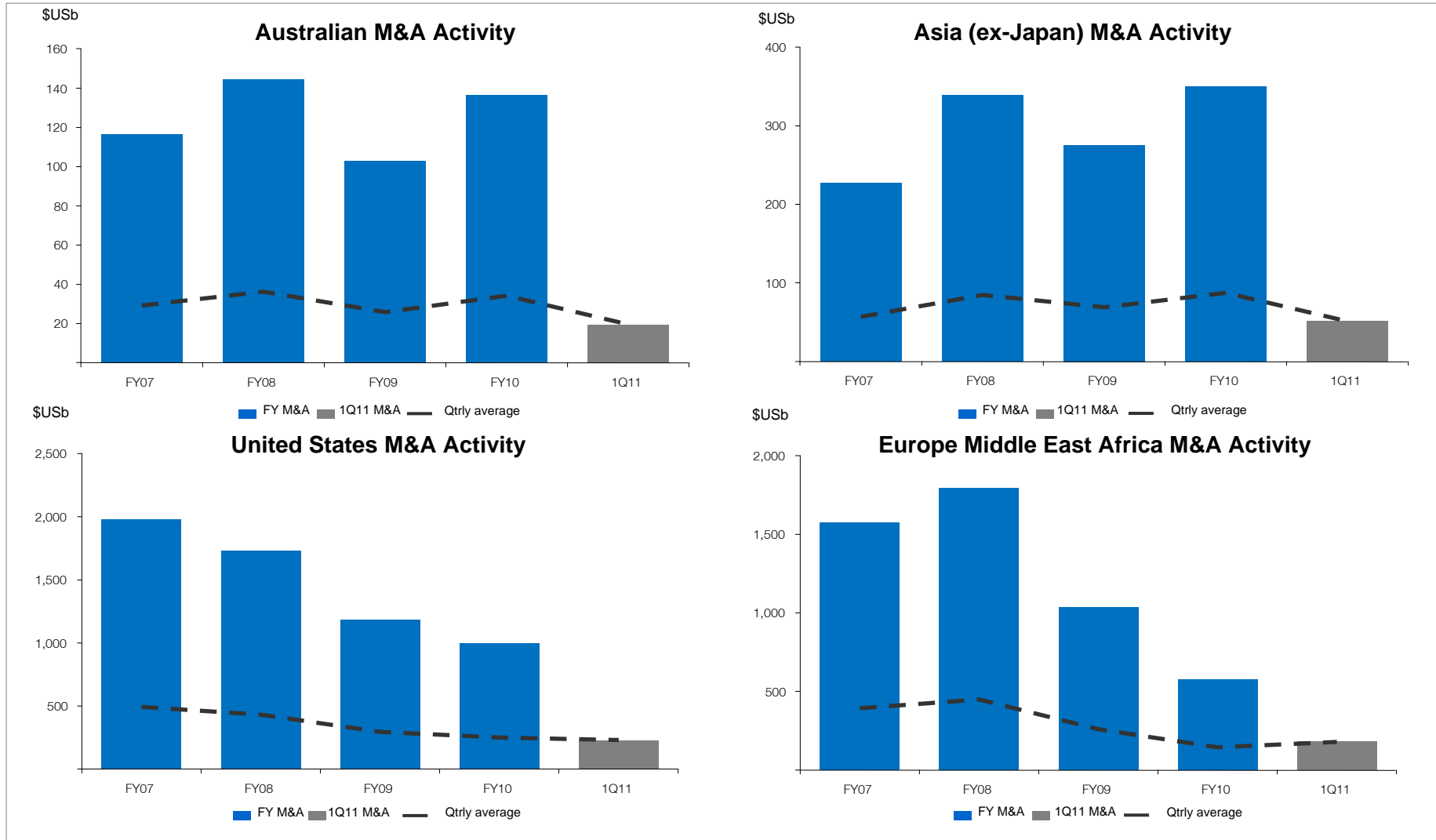
Major World Market Indices





Lower confidence impacting M&A

MACQUARIE 1Q11 global investment banking fee pool¹ down 32% on pcp, lowest 1Q² global investment banking fee pool¹ since 2004

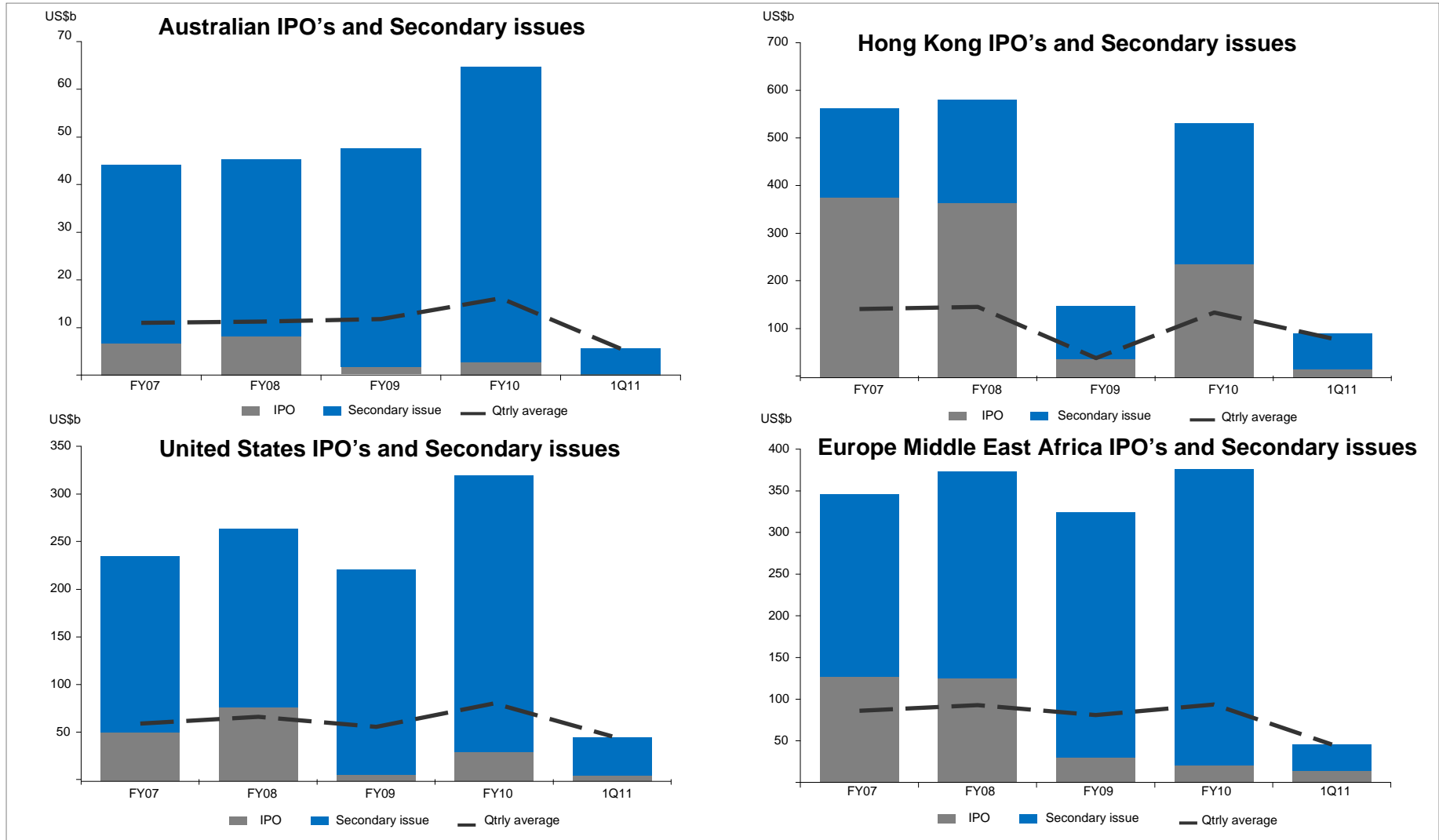


Source: Dealogic, Thomson Reuters, FY data presented on a 31 March year end basis 1. Global investment banking fee pool comprises M&A, DCM and ECM fees, source: Dealogic 2. Quarter ended 30 June, based on 31 March year end



Lower confidence impacting ECM

MACQUARIE 1Q11 global investment banking fee pool¹ down 32% on pcp, lowest 1Q² global investment banking fee pool¹ since 2004



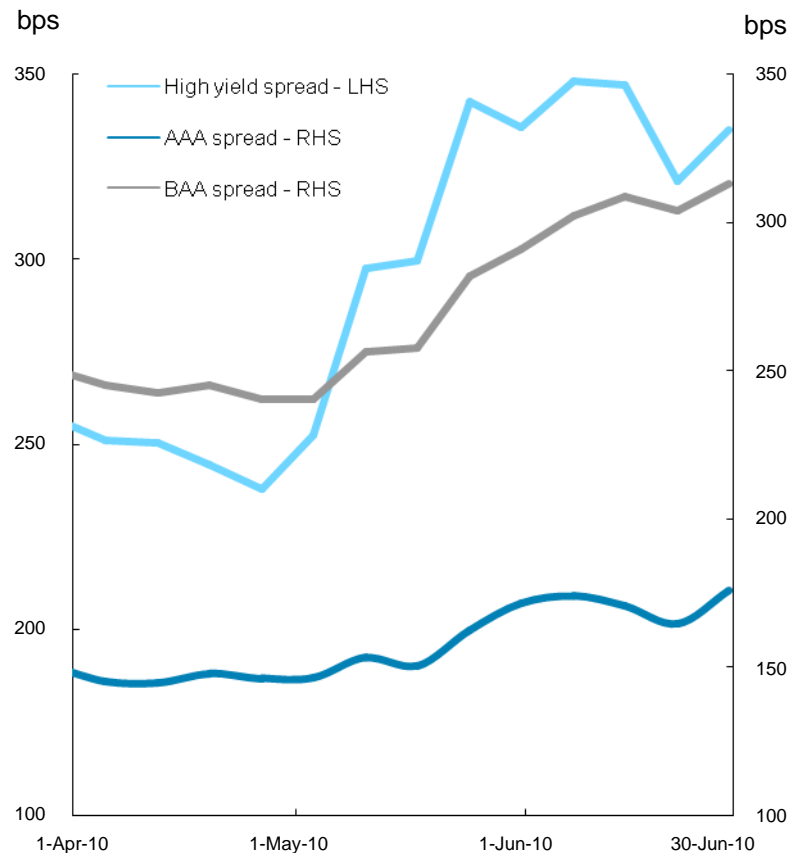
Source: Dealogic, FY data presented on a 31 March year end basis 1. Global investment banking fee pool comprises M&A, DCM and ECM fees, source: Dealogic 2. Quarter ended 30 June, based on 31 March year end



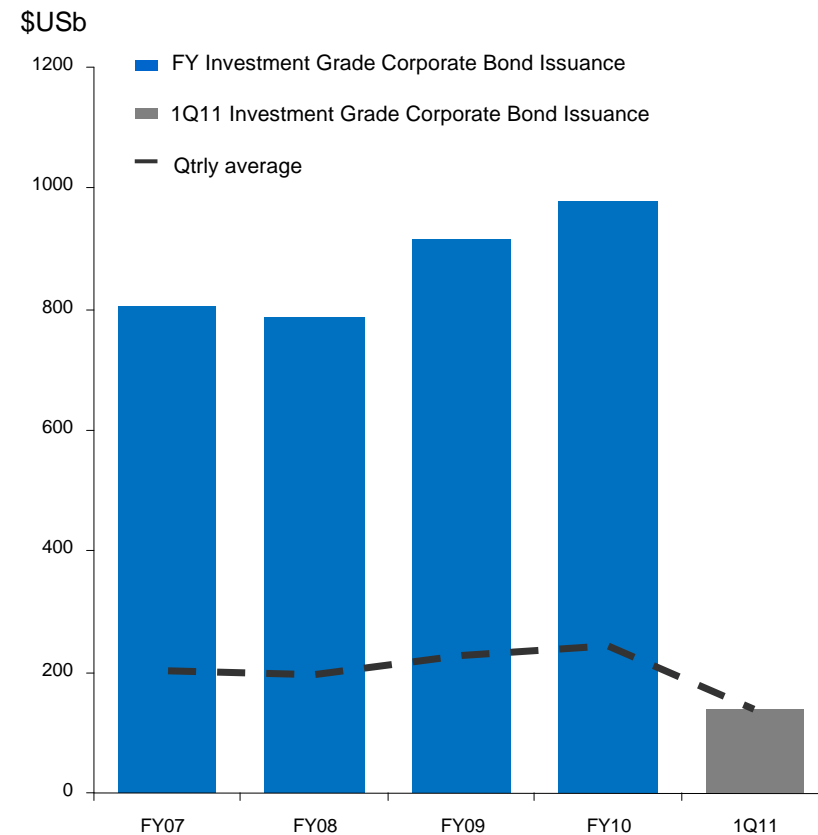
Lower confidence impacting credit markets

1Q11 global investment banking fee pool¹ down 32% on pcp, lowest 1Q² global investment banking fee pool¹ since 2004

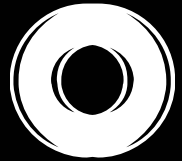
US Corporate Bond Credit Spreads (over 10yr Treasuries)



US Investment Grade Corporate Bond Issuance³



1. Global investment banking fee pool comprises M&A, DCM and ECM fees, source: Dealogic 2. Quarter ended 30 June, based on 31 March year end 3. Full year data for year ended 31 Mar. Source: Bloomberg, Dealogic, Thomson Reuters

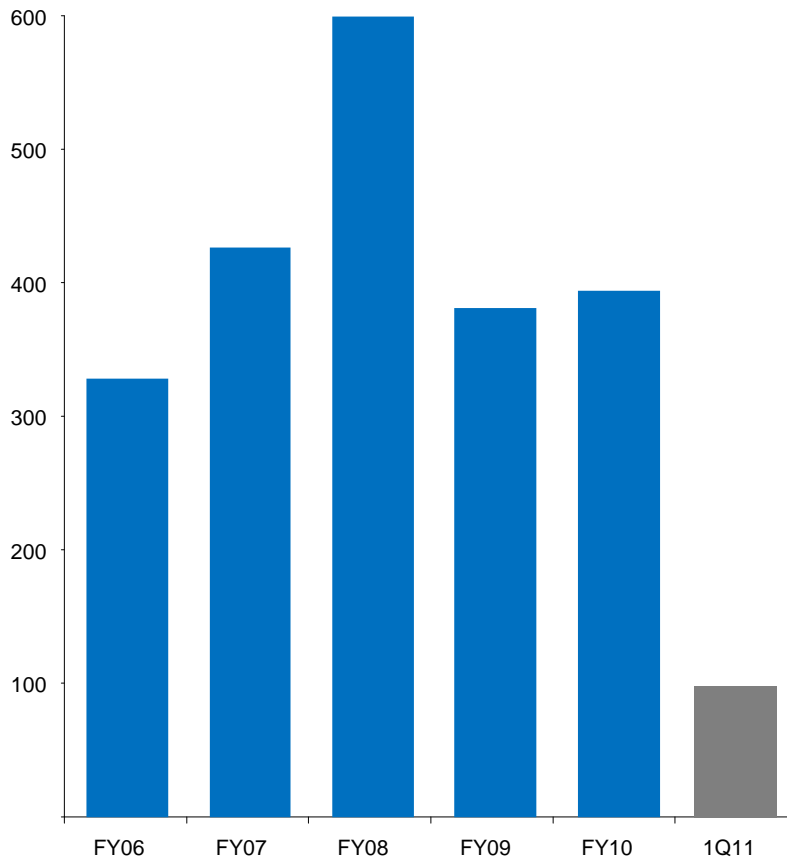


MACQUARIE

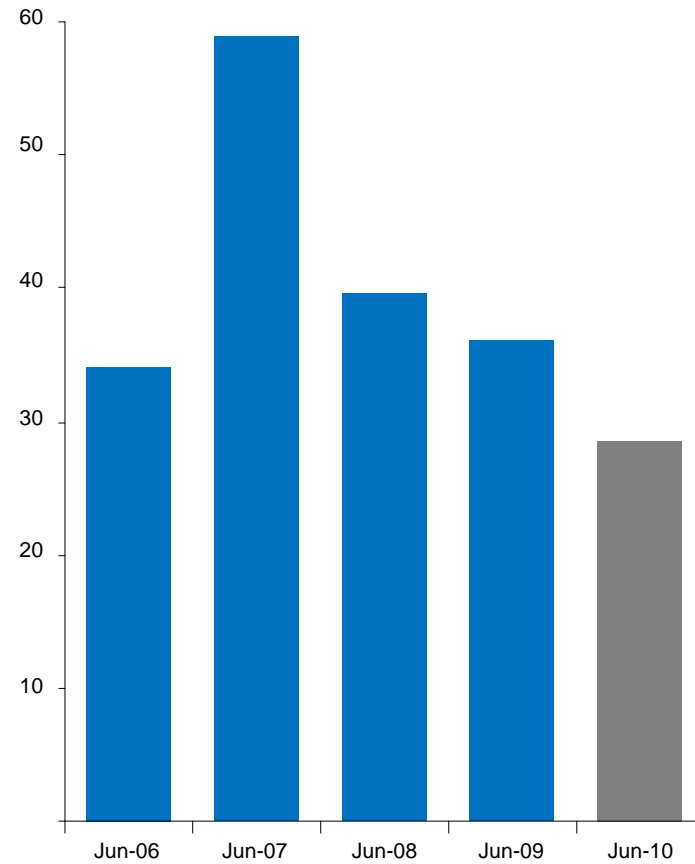
Lower confidence impacting retail broking

Jun-10 retail broking value down 21% on Jun-09 and down 51% from peak in Jun-07, Jun-10 lowest June broking value since 2005

Annual Australian retail broking value¹
Value Traded \$Ab



June Australian retail broking value¹
Value Traded \$Ab



1. June month data, Source: IRESS, FY data presented on a 31 March year end basis



1Q11 update

- Despite a significant reduction in the levels of market activity and increased client uncertainty during the quarter, 1Q11 earnings ahead of subdued 1Q10

1Q11 Group Contributions

- Macquarie Securities;
- Macquarie Capital; and
- Fixed Income, Currencies and Commodities

Down on 1Q10 due to weak market conditions

- Corporate and Asset Finance;
- Macquarie Funds; and
- Banking and Financial Services

Up on 1Q10 as a result of the successful implementation of initiatives undertaken over the last 12 to 18 months

- No significant one-off items
- High levels of cash continue to impact current earnings



1Q11 update

Activities across the Group

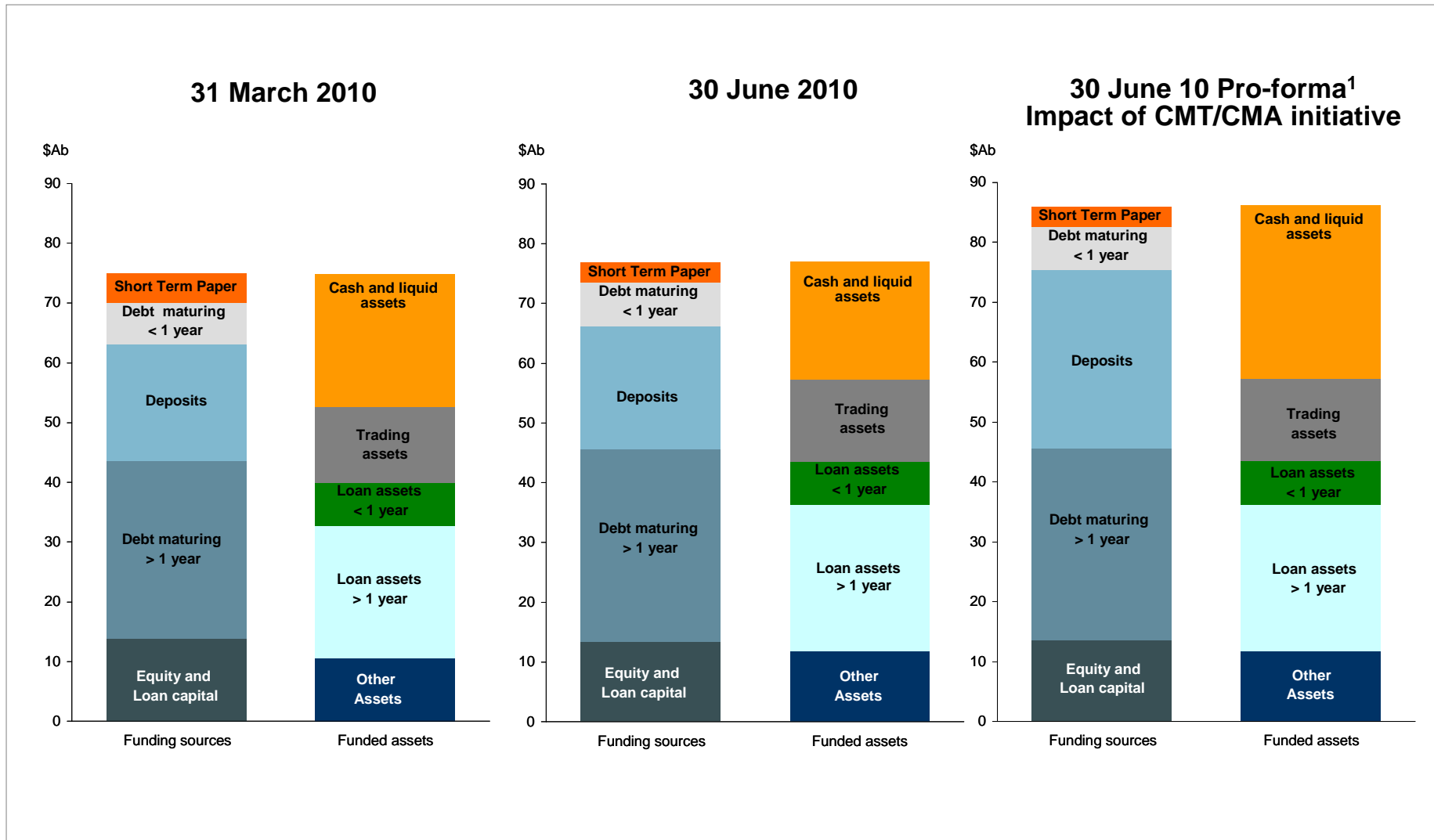
Macquarie Securities	Macquarie Capital	Fixed Income, Currencies and Commodities	Macquarie Funds	Corporate & Asset Finance	Banking and Financial Services
<p>Cash Market turnover¹ in:</p> <ul style="list-style-type: none"> Australia: up 15% on 4Q10, up 33% on pcp Asia: up 10% on 4Q10, up 4% on pcp Europe: up 21% on 4Q10, up 30% on pcp US²: up 22% on 4Q10, up 2% on pcp Canada²: up 3% on 4Q10, down 21% on pcp <p>Activity</p> <ul style="list-style-type: none"> Australia: No.1³ with 10.6% market share Increased market share in major markets of Asia, US and Canada <p>ECM Market Conditions</p> <ul style="list-style-type: none"> Australia: down 52% on 4Q10, down 78% on pcp⁴ Asia: up 25% on 4Q10, down 26% on pcp⁴ US: up 2% on 4Q10, down 60% on pcp⁴ Canada: down 4% on 4Q10, down 19% on pcp⁴ <p>Activity</p> <ul style="list-style-type: none"> Australia: down 3% on 4Q10, down 79% on pcp Asia: down 54% on 4Q10, down 57% on pcp US: up 211% on 4Q10, n.m. on pcp Canada: up 3% on 4Q10, up 34% on pcp <p>Derivatives DeltaOne Trading Market Conditions</p> <ul style="list-style-type: none"> Limited appetite for retail structured products <p>Activity</p> <ul style="list-style-type: none"> Maintained top three listed warrants market share in Hong Kong, Singapore, Australia and Korea 	<p>Advisory & ECM IPOs:</p> <ul style="list-style-type: none"> Agricultural Bank of China (HK and China) Man Wah (HK) Minzhong (Singapore) <p>Secondary Offerings</p> <ul style="list-style-type: none"> ALE Property Beadell Resources Cache Logistics China Green Macquarie DDR Trust Oando <p>Advisory</p> <ul style="list-style-type: none"> No.1 for Australian M&A during 1HCY10⁵ daVinci Holdings IH-635 Managed Lanes Project Midwest Gaming & Entertainment Result Energy Thames Water <p>Funds</p> <ul style="list-style-type: none"> \$A0.9b of equity deployed up from ~\$A0.1b in 4Q10, in line with pcp \$A2.8b of debt refinanced, in line with 4Q10, up from \$A2.4b in pcp Over \$A6b unlisted funds available for investment, down from ~\$A7b in 4Q10, in line with pcp 	<p>Energy Volumes</p> <ul style="list-style-type: none"> down 7% on 4Q10 up 91% on pcp Maintained top five ranking in US natural gas market <p>Business activity</p> <ul style="list-style-type: none"> Expansion of Asian presence European Credit Trading European Emerging Markets offering <p>FX Volumes⁶</p> <ul style="list-style-type: none"> Up 30% on 4Q10 Down 38% on pcp <p>Futures Clearing</p> <ul style="list-style-type: none"> No. 1 in volumes and No.1 in positions held for clients on SFE 	<p>Australia</p> <ul style="list-style-type: none"> Winner of Fixed Interest Fund Manager of the Year⁷ First quartile performance⁸: <ul style="list-style-type: none"> Australian Shares Listed Property Australian Cash Acquired a majority stake in Rismark International Formed joint venture with BFS for retail structured products and raised over A\$150m in the year to June 2010 Maintained top five ranking among Australian investment managers⁹ <p>Offshore</p> <ul style="list-style-type: none"> Institutional Mandates won by Delaware Investments Fixed Income team Winner of Best Asian Event Driven Fund Launch of Equity Plus, in conjunction with BFS in Canada 	<p>Loan and asset portfolio:</p> <ul style="list-style-type: none"> up 9% on 4Q10 up 51% on pcp <ul style="list-style-type: none"> Approx 62% of gross new loans and asset finance was to Australian corporates¹⁰ <ul style="list-style-type: none"> GMAC auto finance portfolio (Approx \$A1b) acquired <ul style="list-style-type: none"> ILFC aircraft leasing portfolio (Approx \$A1.7b) 	<p>Market conditions</p> <p>ASX retail broking turnover:</p> <ul style="list-style-type: none"> up 8% on 4Q10 up 7% on pcp <p>Activity</p> <p>MPW ASX retail broking turnover:</p> <ul style="list-style-type: none"> Up 11% on 4Q10 Up 12% on pcp <ul style="list-style-type: none"> Maintained No.1 ranking among Australian retail full service brokers Best 'Platform Offering'¹¹ <p>Clients</p> <p>Clients: 1.01m</p> <ul style="list-style-type: none"> up 1% on 4Q10 up 14% on pcp <p>Balance sheet</p> <p>Total retail deposits:</p> <ul style="list-style-type: none"> \$A15.9b¹² up 3% on 4Q10 up 20% on pcp <p>CMA deposits:</p> <ul style="list-style-type: none"> \$4b at 30 June 2010 up 335% on pcp up 12% on 4Q10 <p>Wrap FUA</p> <ul style="list-style-type: none"> down 7% on 4Q10 up 11% on pcp

1. Datastream 2. Turnover on a volume basis and not on a value basis 3. Source: IRESS, 12 months to 30 Jun 2010, including retail volumes 4. Dealogic 5. Calendar Year 2010, Source: Thomson Reuters 6. Excludes FX deposits and options 7. 2010 Money Management 8. Based on 3 year performance in Australian Shares – Long Only, Listed Property – index funds and Australian Cash – Diversified Treasury (A) categories, Mercer Report May 2010, Wholesale 9. Rainmaker Roundup March 2010 10. Since the introduction of the Government Guarantee in Nov 08 11. Wealth Insights, 2009 and 2010 12. As at 30 June 10. CMT transitioned to CMA on 31 July 2010. The CMT balance transitioned to the CMA was \$9.0b (net of \$0.6b on deposit with MRI)



1Q11 update

Funded balance sheet remains strong



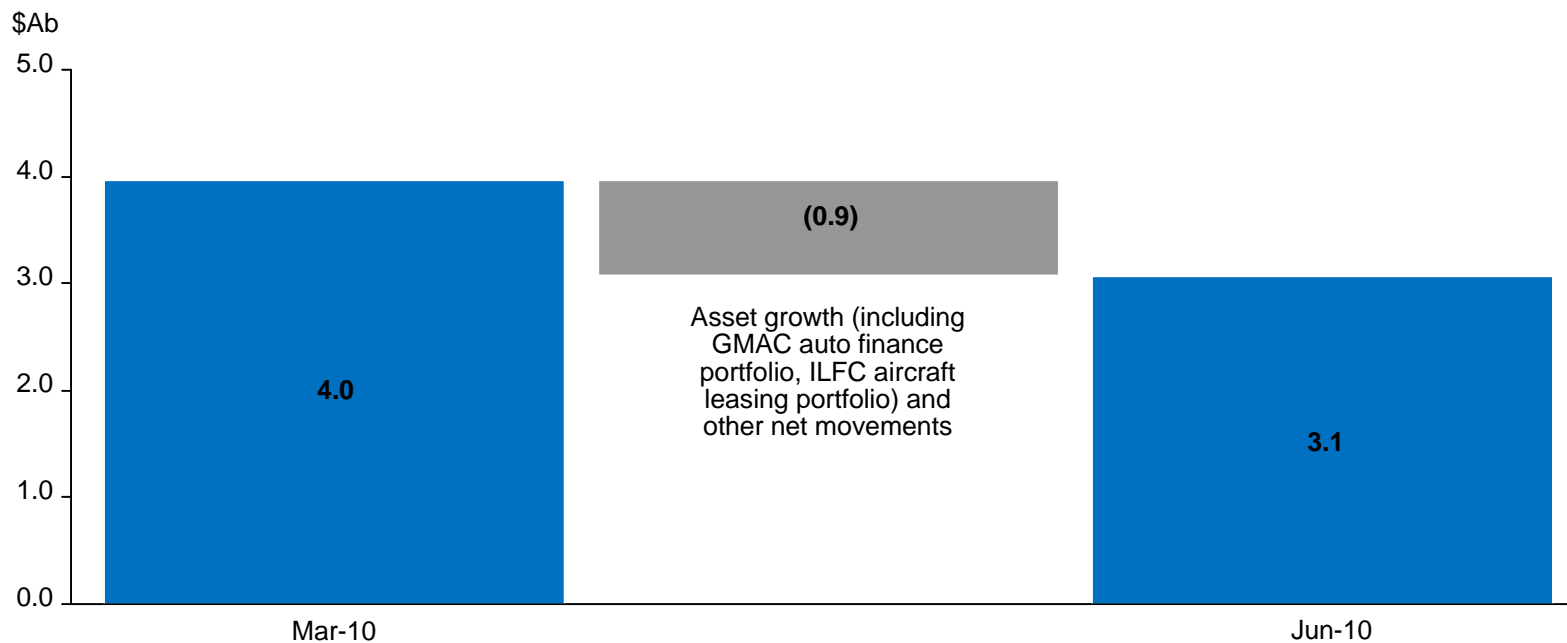
1. Adjusted to reflect CMT volumes at 31 July of A\$9.0b. This represents CMT balance at 31 July 10 (being the date of CMT funds conversion to CMA) net of amount on deposit with MBL (A\$0.6b).



1Q11 update

Deployment of capital to fund growth

- Group capital of \$A11.8b as at 30 June 10, a \$A3.1b buffer of capital in excess of the Group's minimum regulatory capital requirements.
- Capital has been deployed across the Group to support business growth.
- Strong Banking Group capital ratios - Tier 1: 10.3%; Total Capital: 11.5%.
- Well positioned ahead of likely regulatory changes.



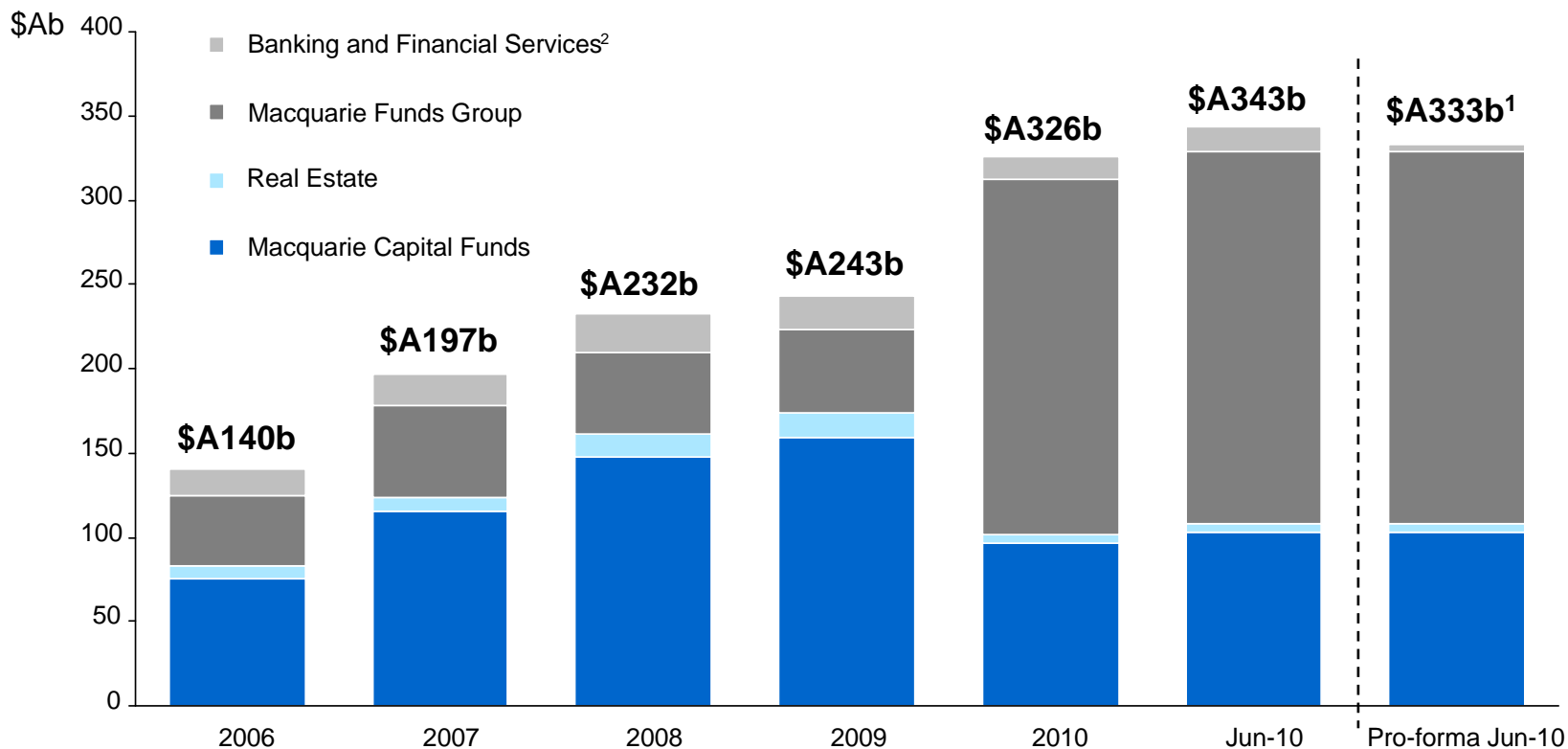
1. Includes other capital movements which broadly offset each other.



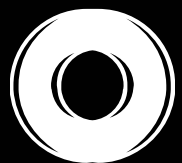
1Q11 update

Assets under management of \$A343b

- Increase in AUM since 31 March 10 driven by FX impact
- Pro-forma AUM includes impact of CMT/CMA transfer (\$A9.6b at 31 July 10)



1. Jun 10 pro-forma AUM includes the impact of the conversion of the CMT to the CMA which occurred on 31 July 10. CMT AUM was \$A9.6b at 31 July 10. 2. The Macquarie CMT, included in BFS AUM above, is a BFS product that is managed by MFG



MACQUARIE

4. Outlook

Macquarie Group Limited

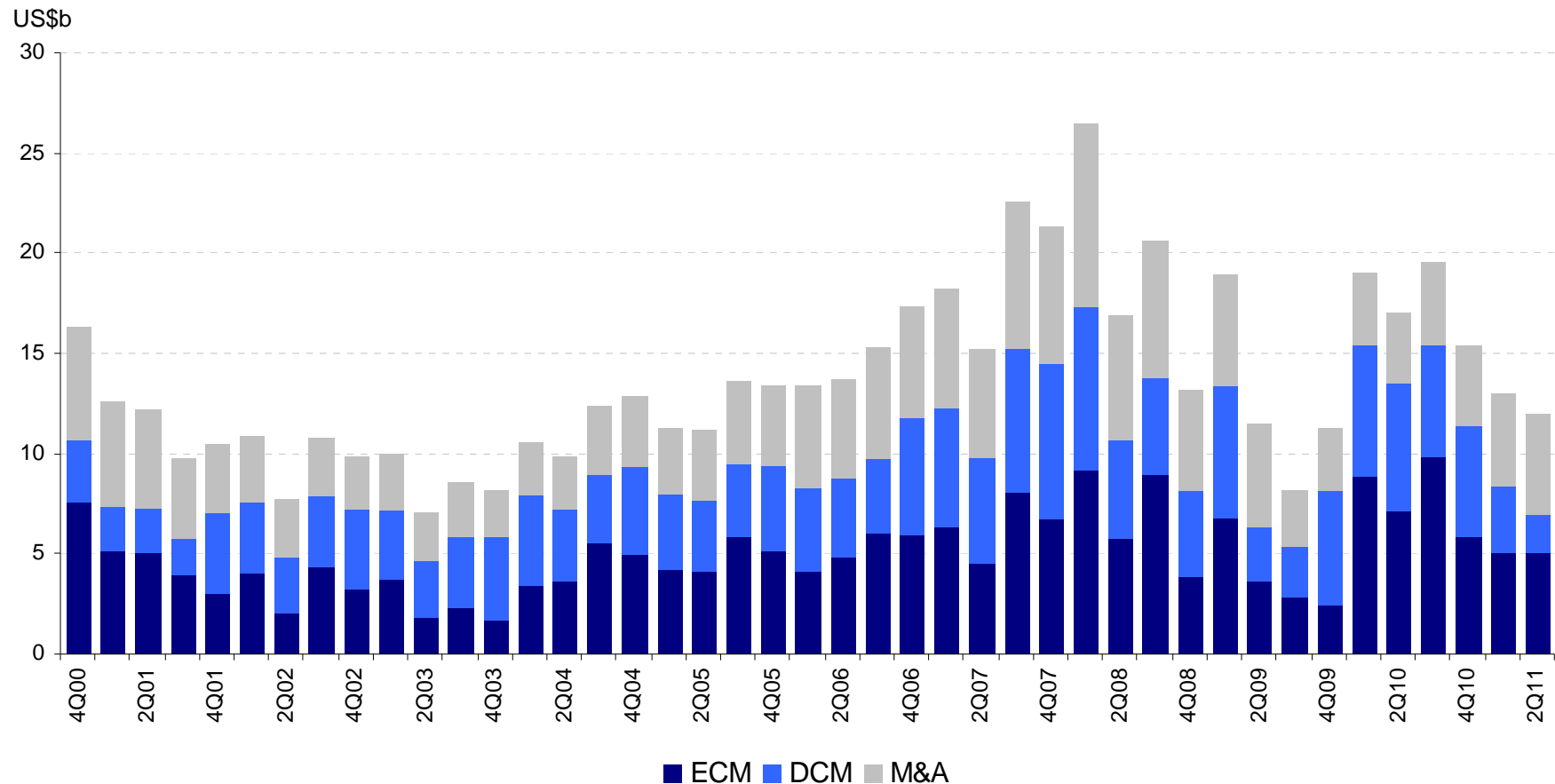
**Goldman Sachs JBWere Sixth Annual Australasian
Investment Forum
September 2010**



2Q11 Global Investment Banking Fee Pool

2Q11 global investment banking fee pool¹ down 8% on 1Q11 and down 30% on pcp

- 2Q11 (qtr to 30 September 2010)² Global Investment Banking Fee Pool comprising ECM, DCM and M&A transactions, down 8% on 1Q11 and down 30% on pcp



1. Source: Dealogic, Thomson Reuters, data presented on a 31 March year end basis. Global investment banking fee pool comprises M&A, DCM and ECM fees 2. 2Q11 to date data to 26 Aug 10, pro-rated to enable quarterly comparison



Short term outlook update

- As previously foreshadowed:
 - Uncertain market conditions are continuing to make short-term forecasting very difficult;
 - Market conditions are significantly impacting activity levels in Macquarie Securities, Macquarie Capital and Fixed Income, Currencies and Commodities; and
 - FY11 result continues to be impacted by the cost of our continued conservative approach to funding and capital.
- Since Macquarie's AGM on 30 July, conditions in most markets have continued to be weak, adversely impacting business activity levels
- Despite market conditions remaining uncertain, which makes short-term forecasting very difficult, we currently anticipate:
 - 1H11 profit to be approximately 25% less than the prior corresponding period; and
 - FY11 profit to be broadly in line with FY10, subject to market conditions recovering to more normal levels during 2H11
- Both 1H11 and FY11 outlooks are subject to market conditions, completion rate of transactions and the conducting of period end reviews



Medium term outlook

- Our businesses are increasingly well positioned to benefit from future growth
 - Deep expertise in major markets
 - We have significant expertise in key products in all major markets
 - Continued investment in our people and our businesses enables us to expand that expertise globally across new products in new markets
 - Growing global market share
 - Leveraging our strength in Asia Pacific into global markets
 - Maintaining and strengthening our leading position in key markets
 - Strength in diversity
 - Broadening our diversity by geography, product and service
 - Diversification of income driven by evolution of the business
 - Balance sheet positioned for growth
 - Broadening our diversity by geography, product and service
 - Diversification of income driven by evolution of the business
 - Ongoing investment in balance sheet businesses
 - Effective risk management culture



5. Appendix A – FY10 Review

Macquarie Group Limited

**Goldman Sachs JBWere Sixth Annual Australasian
Investment Forum
September 2010**



Result reflected improved market conditions

- Profit of \$A1,050m, up 21% on FY09 and 2H10 up 19% on 1H10
- All operating businesses delivered improved results in FY10 compared to FY09
- Operating income before writedowns, impairments, equity accounted gains/(losses) and one-off items \$A7.0b, down 2% on FY09 after the impact of movements in FX rates, 2H10 relatively flat on 1H10 and up 8% on 2H09
- Operating income \$A6.6b up 20% on FY09 and 2H10 up 14% on 1H10
- Increase in the full year effective tax rate to 16.1%, 2H10 22.4%
- As foreshadowed:
 - Fewer writedowns, impairments, equity accounted gains/(losses) and one-off items, however, full year still above historical levels, FY10 \$A(388)m, 2H10 \$A26m
 - Employment expenses \$A3.1b; 43% compensation to income ratio
 - Profit was impacted by the cost of excess liquidity on the balance sheet
- EPS \$A3.20 up 3% on FY09, 2H10 up 13% on 1H10
- Return on equity 10.0% up from 9.9% for FY09 and 9.6% for 1H10
- Full year dividend of \$A1.86 per share (unfranked), 2H10 dividend \$A1.00 up from 1H10 dividend of \$A0.86



Result reflected improved market conditions

	Mar 10 \$Am	Mar 09 \$Am
Net operating income	6,638	5,526
Total operating expenses	(5,344)	(4,537)
Operating profit before income tax	1,294	989
Tax expense	(201)	(15)
Operating profit after income tax	1,093	974
Profit attributable to minority interests	(43)	(103)
Profit attributable to MQG shareholders	1,050	871



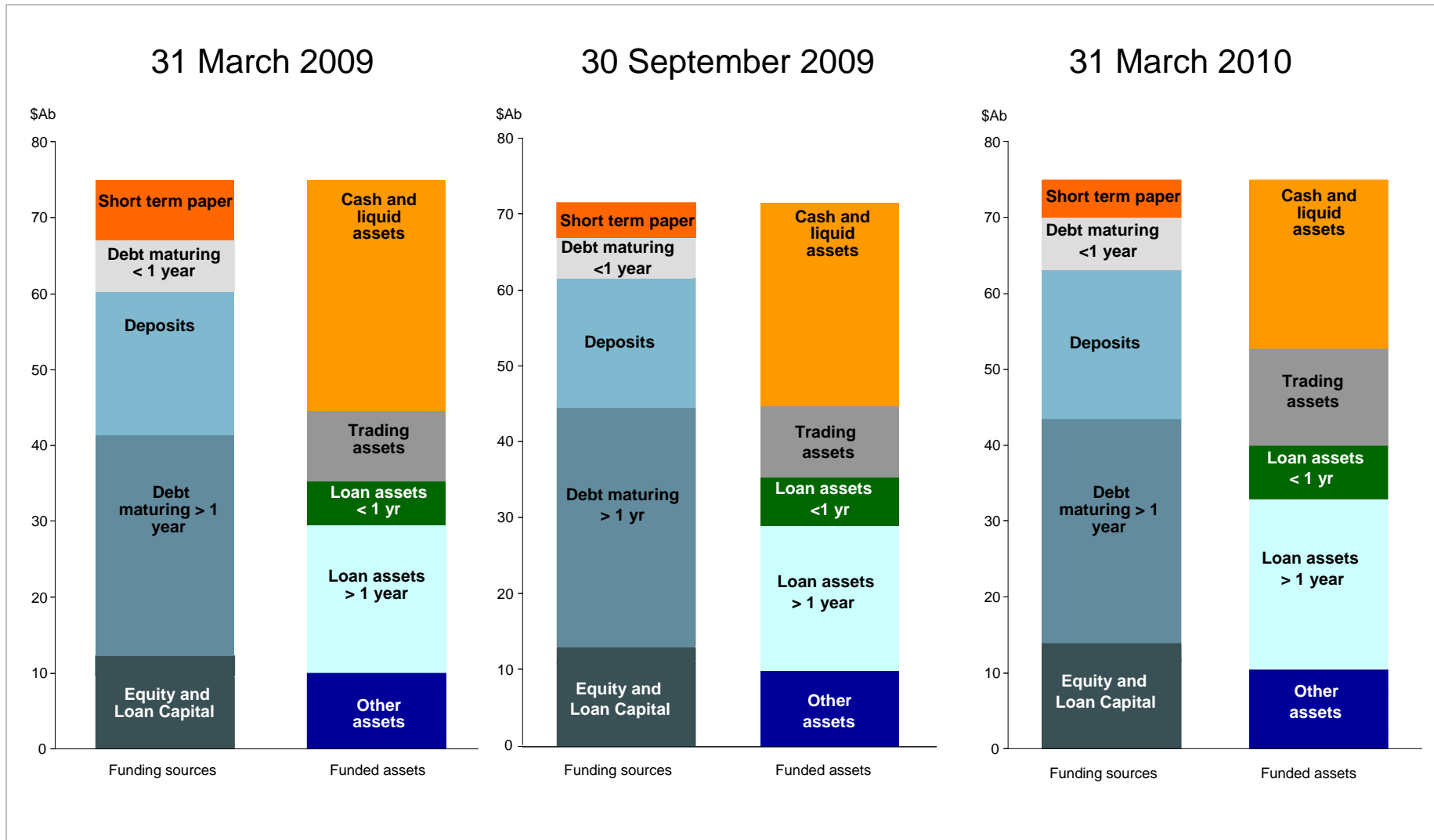
Writedowns, impairments, equity accounted gains/(losses) and one-off items

	2H10 \$Am	1H10 \$Am	FY09 \$Am
Gains from listed fund initiatives ¹ (MCG, MLE, MAp, MMG, MIG, A-REITs)	125	414	-
Liability management			
— MIPS	-	127	197
— Subordinated debt	-	55	-
Net fair value adjustment on fixed rate issued debt	(3)	(252)	179
Equity investment impairments	1	(471)	(1,079)
Equity accounted gains/(losses) ¹	(13)	(135)	74
Loan and trading asset impairments	(84)	(152)	(822)
Mortgages Italy ²	-	-	(248)
Total writedowns, impairments, equity accounted gains/(losses) and one-off items	26	(414)	(1,699)

1. Gains from listed fund initiatives is net of \$A62m equity accounted losses on MAp internalisation in 1H10; and net of \$A10m equity accounted losses on MIG internalisation and \$A10m equity accounted losses on MMG internalisation in 2H10. These amounts are not included within equity accounted gains/(losses). 2. Includes \$A31m of operating expenses in FY09.



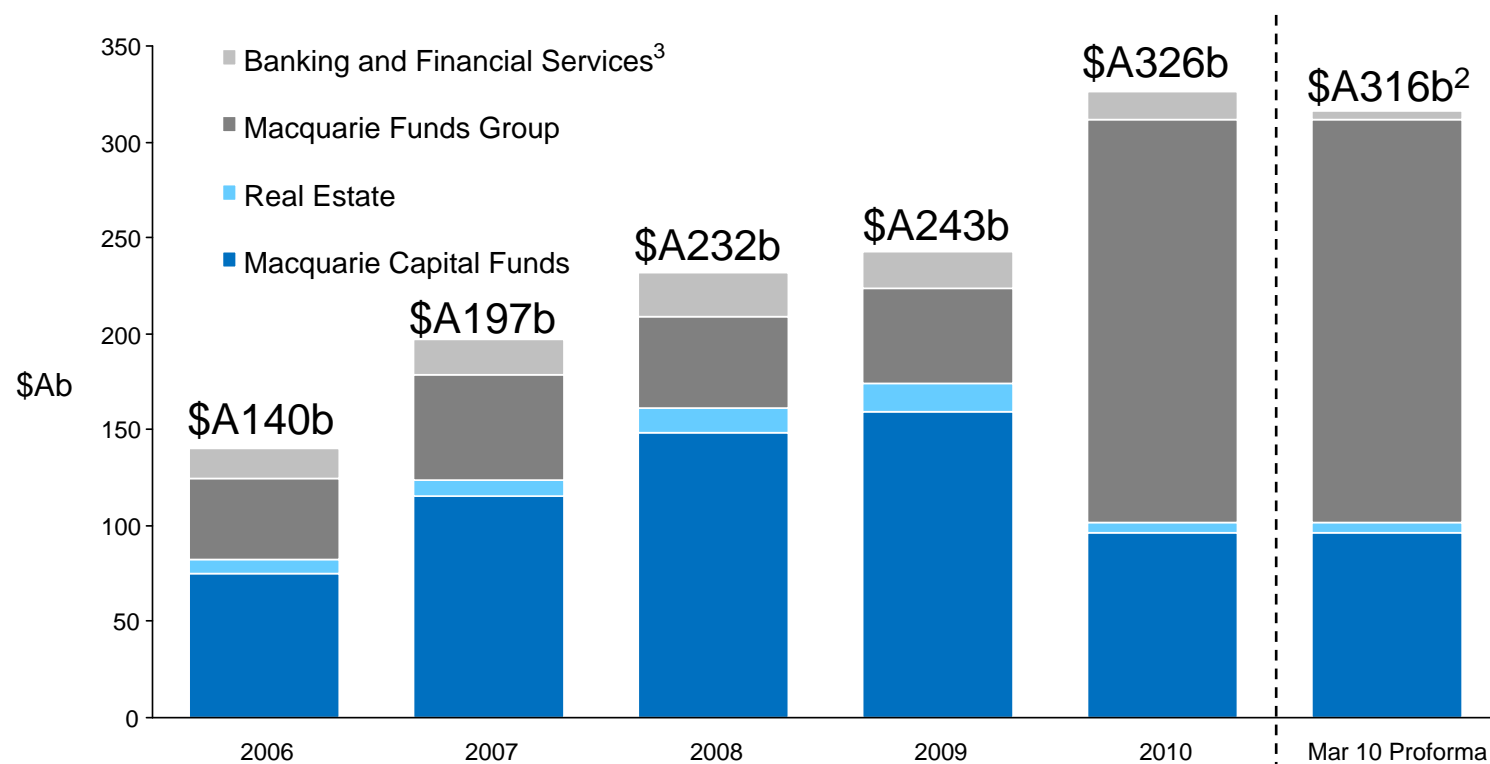
Funded balance sheet remained strong





Assets under management of \$A326b

- Significant increase in AUM due to Delaware acquisition in Jan 10
 - Excluding Delaware¹, reported AUM decreased by \$A68b mainly due to the listed fund initiatives and strengthening of the \$A since Mar 09
- Pro-forma AUM includes impact of CMT/CMA transfer (\$A10b at Mar 10)

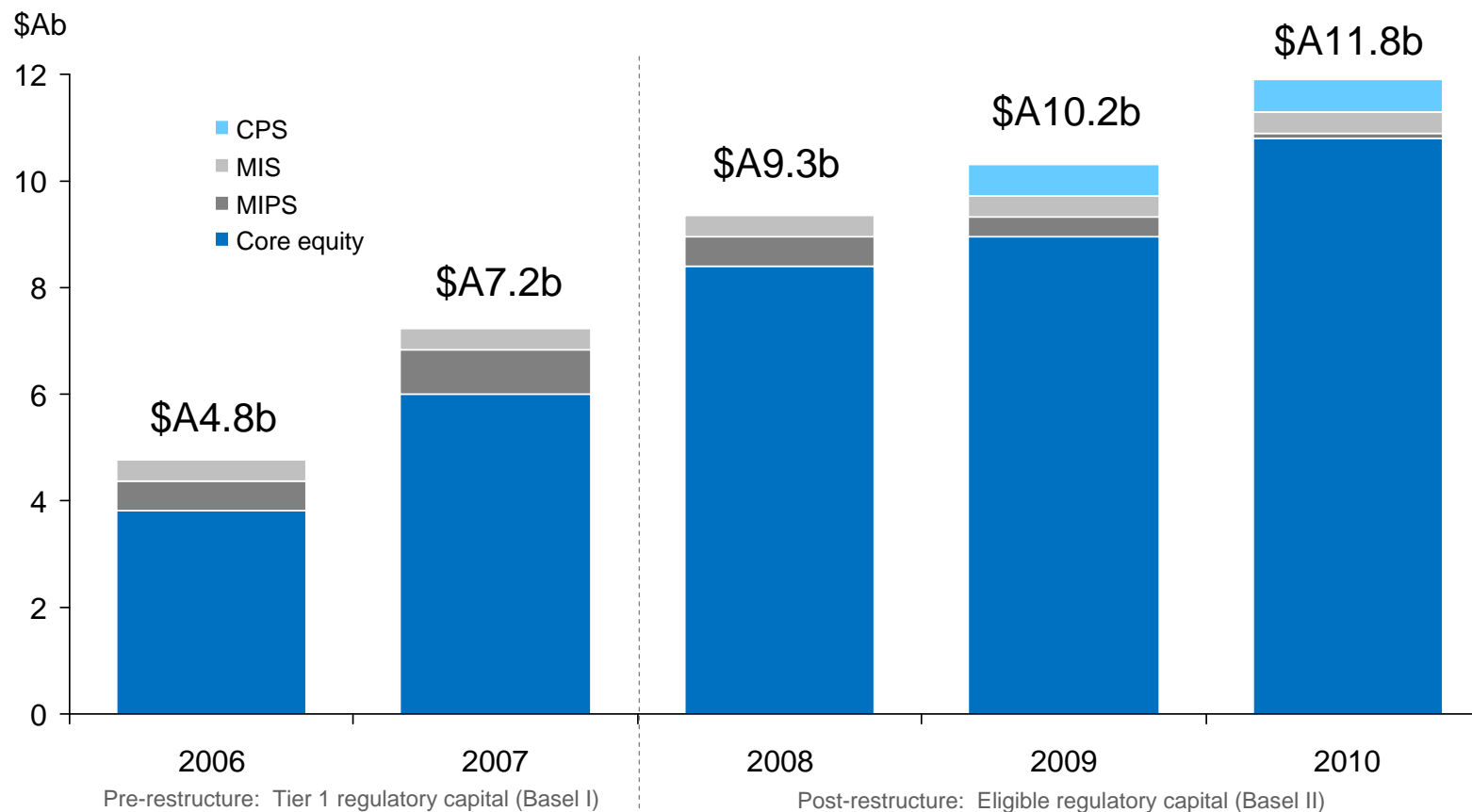


1. Delaware Investments AUM at 31 Mar 10 was \$A151b. 2. Mar 10 pro-forma AUM includes the impact of the proposed conversion of the CMT to the CMA. CMT AUM was \$A10.0b at 31 Mar 10. 3. The Macquarie CMT, included in BFS AUM above, is a BFS product that is managed by MFG.



Consistently strong capital base

- Well capitalised – surplus over Group’s minimum regulatory capital requirement of \$A4.0b
- Core equity represents 91% of the Group’s capital base





Market conditions and activity

Macquarie Securities – operating income up 10% on prior year,
net profit contribution up 111% on prior year

Cash Equities and Derivatives/Delta 1		Underwriting	Advisory	Funds Management	Balance Sheet
Australia		Asia		US	
<p>Market conditions</p> <ul style="list-style-type: none"> Total market turnover for FY10 up 3% on prior year with 2H10 up 0.2% on 1H10¹ ECM market for FY10 up 22% on prior year to \$A76.7b and 2H10 down 54% on 1H10 to \$A24.3b² Limited appetite for retail structured products <p>Activity</p> <p>Cash</p> <ul style="list-style-type: none"> Maintained No.1 market share position at 10.8% compared to 10.7% in prior year. No. 1 market share for 2H10 of 10.9% vs 10.7% in 1H10³ Retained No.1 position for overall research and sales amongst Australian Institutional Equity Investors⁴ Increasing proportion of lower margin electronic trading <p>ECM</p> <ul style="list-style-type: none"> Capital raised for FY10 up 17% on prior year to \$A24b and 2H10 down 16% on 1H10 to \$A11.0b⁵ Ranked No.1 by deal value⁶ <p>Derivatives / Delta 1</p> <ul style="list-style-type: none"> No.1 market share in listed warrants for FY10 		<p>Market conditions</p> <ul style="list-style-type: none"> Asia (ex-Japan) total market turnover for FY10 up 11% on prior year with 2H10 down 11% on 1H10¹ Japan total market turnover for FY10 down 24% on prior year with 2H10 down 11% on 1H10¹ Asia (ex Japan) ECM market for FY10 up 215% on prior year to \$US234.3b and 2H10 up 4% on 1H10 to \$US119.7b² Improving appetite from retail clients for derivative products Increase in institutional Derivatives / Delta 1 activity <p>Activity</p> <p>Cash</p> <ul style="list-style-type: none"> Growth in market share on prior year in Hong Kong, Japan, Taiwan and Korea. 2H10 market share growth on 1H10 for Hong Kong, Japan, India, Indonesia, Thailand and Korea <p>ECM Asia (ex Japan)</p> <ul style="list-style-type: none"> Capital raised for FY10 up 364% on prior year to \$US10.3b and 2H10 up 123% on 1H10 to \$US7.1b⁵ <p>Derivatives / Delta 1</p> <ul style="list-style-type: none"> No. 1 market share in listed warrants in Singapore and Korea for FY10 and 2H10 No. 3 market share in listed warrants in Hong Kong for FY10 and No. 2 for 2H10 Profitable arbitrage trading opportunities Improving activity off a low base 		<p>Market conditions</p> <ul style="list-style-type: none"> NYSE total market volume for FY10 down 2% on prior year with 2H10 down 17% on 1H10¹ NASDAQ total market volume for FY10 down 0.1% on prior year and 2H10 down 8% on 1H10¹ US ECM market activity for FY10 up 26% on prior year to \$US363.2b and 2H10 down 24% on 1H10 to \$US157.1b² <p>Activity</p> <p>Cash</p> <ul style="list-style-type: none"> Continued business growth focussed on areas of global specialisation Record secondary market commissions FPK acquisition completed on 1 Dec 09 and staff joined the US and European businesses Build out of research product - Market cap stock coverage grown to 51%⁷ for FY10 from 26% in prior year <p>ECM</p> <ul style="list-style-type: none"> Capital raised for FY10 \$US0.4b, majority in 2H10⁵ <p>Derivatives / Delta 1</p> <ul style="list-style-type: none"> Profitable arbitrage trading opportunities 	

1. Datastream. 2. Dealogic (Includes ordinary equity and equity-convertibles) 3. IRESS - Institutional and retail market share. 4. Peter Lee Survey 2009. 5. MCAL. 6. Bloomberg 1 Apr 10. 7. Index used: Russell 3000



Market conditions and activity

Macquarie Securities – operating income up 10% on prior year, net profit contribution up 111% on prior year

Cash Equities and Derivatives/Delta 1

Underwriting

Advisory

Funds Management

Balance Sheet

Canada

Market conditions

- TSX market volume up 2% on prior year with 2H10 down 13% on 1H10¹
- ECM market active, capital raised for FY10 up 68% on prior year to \$C51.4b and 2H10 down 19% on 1H10 to \$C23.0b²

Activity

Cash

- Growth in market share - 1.7% in FY10 vs 1.2% in prior year and 1.7% in 2H10 vs 1.6% in 1H10
- Build out of research product - Market cap stock coverage grown to 66% for FY10 from 34% in prior year³

ECM

- Capital raised for FY10 up 21% on prior year to \$C2.0b and 2H10 up 94% on 1H10 to \$C1.3b⁴
- Ranked No.10 by number of deals⁵

Europe

Market conditions

- Total market turnover down 25% on prior year with 2H10 down 10% on 1H10¹
- Europe ECM market activity in FY10 up 26% on prior year to €254.7b and 2H10 down 30% on 1H10 to €105.0b²

Activity

Cash

- Continued business growth
- Record secondary market commissions
- Capital raised for FY10 up substantially on prior year to €2.6b and 2H10 down 75% on 1H10 to €0.5b
- FPK acquisition completed on 1 Dec 09
- Sal. Oppenheim acquisition completed in Apr 10
- Build out of research product - Market cap stock coverage grown to 74% for FY10 from 31% in prior year⁶

Derivatives / Delta 1

- Profitable arbitrage trading opportunities
- Substantial decline in European Structured Equity Finance activity

South Africa

Market conditions

- Total market turnover for FY10 down 5% on prior year with 2H10 up 8% on 1H10¹
- South Africa ECM market activity for FY10 up 76% on prior year to \$US6.2b and 2H10 down 43% on 1H10 to \$US2.3b²

Activity

Cash

- Growth in market share – 3.2% vs 2.3% in prior year and 3.3% in 2H10 vs 3.1% in 1H10
- #### ECM
- \$US35m capital raised in FY10 predominantly in 1H10⁴

Derivatives / Delta 1

- Continued growth in Derivatives business

1. Datastream. 2. Dealogic (Includes ordinary equity and equity-convertibles) 3. Index used: S&P/TSX Composite Index. 4. MCAL. 5. Bloomberg 1 Apr 10. 6. Includes stocks to be initiated under Macquarie following Sal. Oppenheim acquisition. Index used: STOXX 600



Market conditions and activity

Macquarie Capital – operating income up 11% on prior year, net profit contribution up 156% on prior year
448 deals valued at \$A121b (299 deals valued at \$A203b prior year)

Cash
Equities

Underwriting

Advisory

Funds management

Balance
Sheet

Infrastructure

Market conditions

- 282 deals completed globally worth \$US194b in FY10, down 25% on prior year¹, with 2H10 down 16% on 1H10¹
- Market is characterised by recapitalisations rather than asset sales
- Global PPP market remains active

Activity

- 83 deals valued at approx \$A39b vs 66 deals valued at \$A96b in prior year (2H10 up 75% on 1H10 by value)
- Adviser:
 - AquaSure on \$A5.7b (net present cost) bid for the Victorian Desalination Project
 - Lion Power Holdings on \$S2.4b refinance of Senoko Power's acquisition debt
 - Cintra and Meridiam Infrastructure on the \$US2.0b North Tarrant Express managed lanes project in Texas, US
 - Inexus on the restructure of its debt facilities
- Joint Lead Manager, Adviser and Underwriter:
 - MIIFL and MPT's \$C190m IPO of Leisureworld
 - Prime Infrastructure on its \$A8.9b recapitalisation and restructure

Real Estate

Market conditions

- \$US442b of real estate transactions completed globally in FY10, up 6% on prior year; \$US263b of deals completed in 2H10, up 46% on 1H10²
- Globally, residential markets have moved ahead of commercial markets, experiencing significant capital value gains since 1Q10
- The global office cycle has been led by London and Hong Kong, with yields firming 100bps³ and 127bps⁴ respectively to 6% in London and 4.9% in Hong Kong

Activity

- 65 deals valued at approx \$A19b vs 28 deals valued at \$A7b in prior year (2H10 down 81% on 1H10 by value)
- Adviser:
 - Goodman Group's recapitalisation including \$A4.1b debt restructuring, \$A1.3b equity raising and \$A500m hybrid securities issue to China Investment Corporation
 - Central Pattana Public Company's first capital increase investment valued at THB5.7b
- Sole Global Coordinator, Joint Bookrunner & Joint Lead Manager:
 - Powerlong Real Estate's \$US383m IPO

TMET

Market conditions

- 1,006 deals completed globally worth \$US258b, down 44% on prior year (1,479 deals worth \$US464b)⁵
- Strong improvement in deals closed in 2H10 with 477 deals worth \$US173b, down 6% on prior year but up 102% on 1H10⁵
- Gaming and Media equities performed strongly in FY10, up 64% and 61% respectively on prior year, compared to a 47% increase for the global market index⁶

Activity

- 38 deals valued at approx \$A19b vs 30 deals valued at \$A9b in prior year (2H10 down 10% on 1H10 by value)
- Lead Manager and Underwriter:
 - Singapore Technologies Telemedia on its €2.4b take-private of Eircom Holdings, owner of a 57.1% stake in Eircom
 - Carsales.com \$A164m IPO
 - IPO Selloff of CanWest's \$A680m strategic holding in Ten Network and Ten Network's \$A138m placement
 - Sale of 100% interest in Younghwa Engineering to MBK Partners valued at KRW 170b

Funds Management

Market conditions

- Limited new commitments to managed infrastructure funds
- Signs of improvement appearing in patronage driven assets
- Gradual improvement in both availability and pricing of debt, with increased issuance from debt capital markets
- Listed markets improving, major markets have improved significantly

New Fund Initiatives

- African Infrastructure Investment Fund 2
- Macquarie Mexican Infrastructure Fund
- Macquarie Renaissance Infrastructure Fund (Russia)
- JV formed with China Everbright Limited to establish 2 funds that will invest in infrastructure across greater China
- Initiative to develop a renewable energy fund

Major Fund Initiatives

- Sold majority of Australian core real estate fund management platform (MOF, MCW and unlisted retail direct property funds) to Charter Hall
- MMG completed a re-capitalisation, internalisation of management and corporatisation
- MIG restructured into two separate listed entities, Intoll (a standalone entity) and Macquarie Atlas Roads (a Macquarie managed entity)
- MAP and MLE internalisations of management completed
- CPPIB takeover of MCG completed at \$A3.00 per stapled security a 181% premium to 3 mth VWAP prior to offer

Activity

- Equity raised \$A3.1b for FY10, down from \$A7.6b in prior year (\$A1.7b in 2H10 up from \$A1.4 in 1H10)
- ~\$A7b equity in unlisted funds available for investment, in line with prior year
- \$A10b debt refinanced in FY10, in line with prior year
- ~5% total debt (~3% of drawn) maturing in next 12 mths
- Equity proceeds of \$A2.7b from 13 infrastructure and private equity divestments for FY10, down from \$A4.2b (8 divestments) in prior year
- Over \$A2b of equity deployed (to existing and new assets) during FY10, down from \$A9b in prior year



Market conditions and activity

Macquarie Capital – operating income up 11% on prior year, net profit contribution up 156% on prior year

448 deals valued at \$A121b (299 deals valued at \$A203b prior year)

Cash Equities

Underwriting

Advisory

Funds management

Balance Sheet

Resources

Market conditions

- 1,985 M&A deals completed globally in FY10 worth \$US275b down 41% on prior year; 1,061 deals completed in 2H10 worth \$US143b up 9% on 1H10¹
- Australian ECM issuance in FY10 at \$US17b with 494 deals completed, up 191% on prior year; 239 capital raisings in 2H10 worth \$US5b down 55% on 1H10²
- Crude oil surged 72% during FY10, recovering from the lows experienced in 2H09. The close of FY10 corresponded with the high for the period of \$US83.23/bbl - price rose 18% during 2H10³

Activity

- 157 deals valued at approx \$A23b vs 91 deals valued at \$A69b in prior year (2H10 up 61% on 1H10 by value)
- Adviser:
 - Rio Tinto / BHP Billiton iron ore joint venture in Western Australia
 - Viterra's \$A1.6b acquisition of ABB Grain and underwriter of \$A511m equity raising
 - TriStar's \$C2.7b strategic combination with Petrobank Energy & Resources to form PetroBakken Energy
 - Eldorado Gold's \$C2.4b all-scrip cross-border acquisition of Sino Gold Mining
 - \$US1.6b reverse takeover and IDX-listing of BUMA, Indonesia's second largest mining contractor
- Joint Global Coordinator, Joint Bookrunner, Joint Sponsor and Joint Lead Manager:
 - United Company Rusal's \$US443m concurrent secondary offerings in HK and Toronto
- Joint Lead Manager & Underwriter:
 - Rio Tinto \$US15.2b renounceable rights issue
 - Oil Search's \$A895m institutional placement

Industrials

Market conditions

- Completed M&A activity in FY10 down 25% on prior year¹
- Increased activity levels expected to continue as corporates look to take advantage of stronger balance sheets, with focus on M&A activity and other growth initiatives
- Strong ECM activity especially in relation to IPOs (2H10 global IPO activity in the Industrials sector up 954% on prior year and 2H10 up 154% on 1H10)¹
- Asian capital markets performed strongly in 2H10 and are expected to continue this performance
- The Australian IPO market remains open during FY11 with improved investor sentiment

Activity

- 73 deals valued at approx \$A15b vs 66 deals valued at \$A16b in prior year (2H10 down 19% on 1H10 by value)
- Sale of 100% of our investment in Microstar (US-based beer keg leasing business)
- Adviser:
 - Transpacific Industries' \$A0.8b recapitalisation and \$A2.3b debt refinancing
- Sole Global Co-ordinator, Joint Bookrunner, Joint Lead Manager and Joint Sponsor:
 - Miclyn Express Offshore's \$A284m IPO
 - Shenguan Holding's \$HK184m IPO
- Joint Global Co-ordinator, Joint Bookrunner and Joint Lead Manager:
 - Joyou AG's €105m IPO
- Joint Lead Manager:
 - Myer's \$A2.2b IPO
 - Kathmandu's \$A397m IPO
 - China Zhongwang Holdings \$US1.3b IPO

FIG

Market conditions

- 437 M&A deals completed globally worth \$US145b down 72% on prior year, with 2H10 up 27% on 1H10³
- Global FIG equity raisings \$US388b up 10% on prior year, with 2H10 down 6% on 1H10²
- Large-scale M&A on the rise at end of FY10, in particular bailout motivated and cross-border M&A such as Prudential's acquisition of AIA, MetLife's acquisition of Alico and RBS' sale of its retail branches

Activity

- 32 deals valued at approx \$A6b vs 18 deals valued at \$A6b in prior year (2H10 up 83% on 1H10 by value)
- Joint Lead Manager:
 - Lloyds Banking Group's £13.5b rights issue
 - \$US4.0b H-share offering and listing on the Hong Kong Stock Exchange of China Minsheng Banking Corp
 - PERLS V \$A2.0b hybrid issue by CBA
 - ANZ's \$A2.0b CPS2 capital raising



Market conditions and activity

Macquarie Funds Group – operating income up 27% on prior year, net profit contribution up 111% on FY09

Total MFG AUM \$A210b – up 322% on FY09

Cash
Equities

Underwriting

Advisory

Funds management

Balance
Sheet

Australia

Market conditions

- AUM up 14.0% on prior year and 2H10 up 1.8% on 1H10¹
- Wholesale AUM up 18.0% on prior year and 2H10 up 2.8% on 1H10¹
- Retail AUM down 6.3% on prior year and 2H10 down 2.2% on 1H10¹

Activity

- Strong relative fund performance in key sectors with first quartile performance over 3 years⁴:
 - Australian Shares – Index and Long Only
 - Global Property Securities
 - Enhanced Property Securities
- \$A26.9b in inflows during FY10⁵
- Continue to see improved independent researcher ratings for a number of our funds in the retail/adviser market
- New funds launched including the True Index Sovereign Bond Fund, True Index Global Infrastructure Securities and Global Thematic Fund
- Launched the Macquarie Lifetime Income Guarantee Policy, a longevity risk solution
- Successfully launched a new generation of capital protected investment product that is capital protected annually, not just at maturity

Offshore

Market conditions

- US Mutual Fund AUM up 15.9% on prior year and 2H10 up 2.7% on 1H10²
- UK Mutual Fund AUM up 33.3% on prior year and 2H10 up 3.8% on 1H10³

Activity

- Delaware Investments ranked 16th out of 61 US mutual fund firms⁶
- Delaware earned 9 Lipper Awards in 2010 including 5 for municipal bond funds, 3 for taxable fixed income funds and 1 for an asset allocation fund
- More than \$US16.8b in inflows into Delaware Investment products⁷
- Delaware Macquarie Global Infrastructure Fund was recently launched in the US, the first fund to capitalise on the combined resources of Macquarie and Delaware
- Expansion of fund derivatives capability with the hire of senior executives in the US to lead the global expansion of this business
- Inflows returning to Hedge Funds, in particular the Asia Long Short Fund
- New Asian Equity strategies launched
 - Asia Pacific Special Events Fund
 - Asian Leaders Segregated Portfolio
- Launched three UCIT compliant funds targeted at European and Asian investors



Market conditions and activity

Fixed Income, Currencies and Commodities – operating income up 43% on prior year, net profit contribution up 62% on prior year

Cash Equities				Underwriting		Advisory		Funds Management		Balance Sheet	
Foreign Exchange	Energy	Agriculture	Metals	Emerging Markets	US Credit						
<p>Market conditions</p> <ul style="list-style-type: none"> Global FX volumes continue to be depressed Volatility remains low <p>Activity</p> <ul style="list-style-type: none"> Volumes down 37% on prior year with 2H10 down 38% on 1H10 Focus on organic growth in key markets - increasing presence in New York, London and Asia Alliance with Hong Kong based Sun Hung Kai Forex Continued development of retail FX platform opportunities 	<p>Market conditions</p> <ul style="list-style-type: none"> Energy market conditions generally improving as some commodity prices and credit markets recover although gas prices showing signs of weakness as Northern Hemisphere summer approaches Oil prices higher Energy assets are starting to trade more freely <p>Activity</p> <ul style="list-style-type: none"> Continue to build out the US gas and power franchise Expanded physical shipping – oil, coal 	<p>Market conditions</p> <ul style="list-style-type: none"> Agricultural markets are returning to their fundamentals of supply and demand Spreads are narrowing but not below pre-crisis levels Volatility is falling Commodity prices are well off highs, much of this is seasonal <p>Activity</p> <ul style="list-style-type: none"> Freight services now include both wet and dry freight Pulp & paper trading new underlyings including recycled paper 	<p>Market conditions</p> <ul style="list-style-type: none"> Metals prices continue to rise The return of competitors sees spreads contracting <p>Activity</p> <ul style="list-style-type: none"> Closed a number of acquisition financings, financed and successfully restructured a number of transactions 	<p>Market conditions</p> <ul style="list-style-type: none"> Market conditions generally stable Good inflows into emerging markets funds <p>Activity</p> <ul style="list-style-type: none"> Continuing to refine and broaden the US / Latin America offering Expanding services into the emerging European markets and CEMEA 	<p>Market conditions</p> <ul style="list-style-type: none"> Credit markets rallied alongside equity markets during the year Investment grade credit spreads declined by 56% over FY10 and 20% in 2H10¹ High yield bond prices increased by 35% over FY10 and 20% in 2H10² <p>Activity</p> <ul style="list-style-type: none"> Client sales and trading capabilities established in 2H10 and trends were positive during the period Underwrote several new issue bond and loan transactions for clients during 2H10 						

1. Bloomberg CDX IG Index 2/4/09 – 31/3/10. 2. Bloomberg CDX HY Index 2/4/09 – 31/3/10



Market conditions and activity

Other banking divisions

Cash
Equities

Underwriting

Advisory

Funds
Management

Balance
Sheet

Corporate and Asset Finance

Operating income up 116% on prior year, net profit contribution up 300% on prior year

Market conditions

- Margins on primary and secondary market corporate credits higher in FY10 than prior year. Margins contracted in 2H10 as liquidity returned to credit markets
- Attractive acquisition opportunities as competitors reduced participation or exited markets
- Opportunities for growth and acquisitions in leasing, particularly in:
 - Aviation
 - Information technology and telecommunications
 - Motor vehicles

Activity

- Strong conditions in Australian auto leasing – over 47,000 motor vehicles financed in Australia by CAF during FY10 (excluding the Ford Credit portfolio acquisition)
- Loan and asset portfolio up 61% on prior year with 2H10 up 21% on 1H10 to \$A13.6b
- Acquisition of \$A1.0b portfolio of Australian auto leases and loans from Ford Credit Australia
- Agreed to acquire a \$US1.7b aircraft operating lease portfolio from International Lease Finance Corp
- Acquisition of services business from Relational Technology Services (RTS) and management of RTS's \$US500m lease portfolio
- US Equipment Leasing Fund continues to raise equity and has commenced investing
- Increased resources in M&A to continue growth through platform / portfolio acquisitions

Real Estate Banking

Operating loss reduced by 63% on prior year, net loss contribution reduced by 58% on prior year

Market conditions

- Australian REIT prices up 30.8% on prior year with 2H10 down 9.5% on 1H10
- Evidence of improving market conditions across the key regions in which REB operate:
 - Strong demand for Australian residential property continued in 2H10, particularly from upgrading existing home-owners and investors
 - Residential markets in China performed strongly over FY10 with luxury apartment prices in Shanghai up 15.7% on prior year with 2H10 up 1.9% on 1H10
 - US housing generally started to stabilise during mid-2009 in line with a moderate increase in the median house price
 - Singapore CBD office values fell 20.9% on prior year and remain flat compared to 1H10
- Private equity real estate fund raising fell to \$US41b in CY09 from a record \$US137b in prior year

Activity

- Active management of principal investments and real estate development assets globally
- Disposition of the Kukdong building in Seoul, the single asset of MCO CR REIT, returning significant performance fees as well as capital gain on the investment
- Managing portfolio of existing risk participation finance facilities in real estate projects in Australia, the UK and the US



Market conditions and activity

Banking and Financial Services – operating income up 55% on prior year, net profit contribution of \$A261m¹

Private Wealth

Intermediary

Funds Management

Balance Sheet

Private Wealth/Direct

Market conditions

- Recovering equity markets with estimated ASX retail market trading volumes up 3% on prior year but 2H10 down 7% on 1H10

Activity

- Acquisition of Blackmont Capital, now integrated as Macquarie Private Wealth (Canada)
- Macquarie Private Wealth (MPW) remains No.1 Retail Full Service Stockbroker in terms of volume and market share
- MPW ASX retail turnover steady on prior year and 2H10 down 5% on 1H10
- New online trading platform, Macquarie Edge, won three major industry awards²
- Credit card white labelling roll out with Hilton Hotels and Jetstar
- Religare Macquarie Private Wealth wins Indian Private Banking International Global Wealth Award for Most Exciting Wealth Management Model
- Continued development of international ventures in India, Singapore, HK and the UK
- Increased focus on direct, non-advised clients
- Australia / NZ client numbers at 351,000 up 29% on prior year vs 325,000 at 1H10
- International client numbers at 70,000
- Adviser numbers increasing, currently at 595 vs 430 at prior year and 420 at 1H10

Intermediary

Market conditions

- Improving markets conditions

Activity

- Macquarie Life Inforce risk premiums up 103% on prior year with 2H10 up 40% on 1H10; launch of Superannuation Optimiser linking TPD cover across super and non-super. Ranked No.1 for integrity³
- Improving equity markets and inflows results in WRAP FUA reaching \$A22.5b up from \$A17.5b in prior year
- First funds lodged on UK wrap platform
- Independent research consultancy CoreData-Brand Management named Macquarie Wrap 'Platform of the Year 2009'⁴
- Macquarie Professional Series named S&P Product Distributor of the Year 2009
- Mortgages Australia trialling new product for re-entry into market
- Canadian Mortgages - record origination volumes - up 103% on prior year and 2H10 up 23% on 1H10
- Acquired remaining 50% of Olicc Technologies

Funds Management

Market conditions

- Challenging conditions for non-cash products

Activity

- Macquarie Agricultural Funds Management awarded Real Asset Manager of the Year⁴
- Macquarie Arrowstreet Global Equity Fund upgraded by S&P from four stars to five stars – their highest rating
- Walter Scott named S&P Top International Equities Fund 2009
- Establishment of channel to distribute products to wholesale investors
- Launched Switch fund – which met 30 Jun 09 targets
- Launched Global Franchise Service in India in conjunction with joint venture partner Religare

Balance Sheet

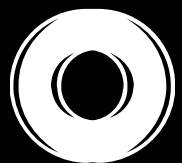
Market conditions

- Continued focus on balance sheet cash levels (Australian household deposits up 7% on prior year and 2H10 up 2% on 1H10)⁵
- RBA interest rates up 1% to 4.25%⁶

Activity

- Total retail deposits of \$A15.5b up 16% from prior year and 2H10 up 12% on 1H10
- Cash Management Account (CMA) launched in Nov 08 now at \$A3.6b
- MIML Board held a unit holders meeting on 22 April where a vote was taken to transfer the CMT, \$A9.5b⁷ at 31 Mar 10, to an on-balance sheet CMA. This transition will take place on 31 July
- Signing of Insurance Premium Funding and service agreement with the AON Group of Companies in Canada, the UK and Ireland

1. Compared to a net loss contribution of \$A99m in the prior year. 2. AIMIA Best Financial Service; Outstanding Achievement award in the Interactive Media Awards (IMAs); Ranked No. 1 in Online Trading category in the inaugural AMBER Awards. 3. 2009 Taylor intermediary study. 4. US Foundation and Endowment Awards. 5. APRA Banking Statistics, Feb 10 versus Mar 09 and Sep 09. 6. 0.25% increase on 6 April 10. 7. This represents CMT balance at 31 Mar 10 net of amount on deposit with MBL (\$A0.5b).



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Further Information

FY10 Result Analysis

Macquarie Group Limited

**Goldman Sachs JBWere Sixth Annual Australasian
Investment Forum
September 2010**



Key drivers of year

- Improved equity markets, cash equities well up on prior year
- Good ECM activity, reasonable corporate finance and advisory deal flow, slightly down on prior year
- Good contribution from base fees, performance fees well down on prior year
- Strong contributions from debt markets and new credit trading business
- Metals and energy capital business up on prior year
- Significant growth in corporate lending activities in CAF
- Gains from listed fund initiatives - MCG, MLE, MAp, MIG, MMG, A-REITs platform (2H10 \$A125m; 1H10 \$A414m)
- Gains from liability management – MIPS (1H10 \$A127m) and subordinated debt (1H10 \$A55m)
- Substantial negative fair value adjustment on fixed rate issued debt (2H10 \$A3m; 1H10 \$A252m)
- Further writedowns, provisions and net equity accounted losses (2H10 \$A96m; 1H10 \$A758m; FY09 \$A2,044m)
- Increased compensation ratio (FY10 42.9%; FY09 40.7%)
- Stronger AUD
 - Average AUD/USD up 8% on FY09, 2H10 up 14% on 1H10
- Higher tax expense - effective tax rate 16% (2H10 22%, 1H10 7%) up from 2% in prior year



Income Statement

	Mar 10 \$Am	Mar 09 \$Am	Key drivers
Net interest income	1,080	938	Strong growth in corporate lending and leasing portfolio
Fee and commission income	3,721	4,045	M&A total deal value down, ECM up, performance fees down
Trading income	1,574	1,328	Strong contribution from energy businesses, debt markets and credit
Other income	651	883	Fewer asset sales compared to prior year
Operating income before writedowns, impairments, equity accounted gains/(losses) and one-off items	7,026	7,194	
Gains on listed fund initiatives ¹	539	-	MCG, MLE, MAp, MIG, MMG and A-REITs platform
Liability management: MIPS	127	197	
Liability management: subordinated debt	55	-	
Fair value adjustment on fixed rate issued debt	(255)	179	
Writedowns, impairment charges ²	(706)	(1,901)	Refer slide 38
Share of net gains/(losses) of associates ^{1,2}	(148)	74	Refer slide 38
Mortgages Italy	-	(217)	Portfolio sold Oct 08
Total operating income (as reported)	6,638	5,526	
Total operating expenses	(5,344)	(4,537)	Increase in staff expenses
Net profit before tax and minorities	1,294	989	
Income tax expense	(201)	(15)	Refer slide 48
Minority interests	(43)	(103)	Reduction of MIPS
Net profit after tax	1,050	871	
Expense to income ratio	81%	82%	
Compensation ratio	43%	41%	

1. \$A82m of equity accounting losses relating to fund internalisations has been included with "Gains on listed fund initiatives" and excluded from "Share of net gains/(losses) of associates". 2. FY09 comparatives have been restated to conform with FY10 presentation by including equity accounted gains.



Impairment charges and equity accounted gains/losses

	2H10 \$Am	1H10 \$Am	FY09 \$Am
Impairment & equity accounted gains/losses of funds management assets and other co- investments			
Listed Macquarie-managed funds	(28)	45	442
Real estate equity investments	54	92	193
US portfolios of asset backed securities held as available for sale	-	62	55
Resources equity investments	1	2	120
Other equity co-investments	(15)	405	195
	12	606	1,005
Loan impairment provisions¹			
Real estate loans	11	13	170
Resources loans	3	50	160
Corporate and Asset Finance leasing and lending	59	28	44
Banking and Financial Services business banking	(13)	29	95
Other loans	25	11	27
	85	131	496
Impairments recognised on trading asset positions²			
Other equity investments carried at fair value through P&L	-	-	265
CLO/CDO exposures held in trading portfolio	(1)	21	61
	(1)	21	326
One-off costs relating to Mortgage Italy exit³			
	-	-	217
Total	96	758	2,044

1. Includes specific credit provisions and collective allowance for credit losses recognised in the six months ended 31 Mar 10. 2. Selected items included are carried in the trading portfolio at fair value. Realised gains and losses, and unrealised gains and losses arising from changes in the fair value of the trading portfolio are recognised as trading income or expense in the income statement in the period in which they arise. 3. Excludes \$A31m of operating expenses in FY09.



Macquarie Capital Result

	Mar 10 \$Am	Mar 09 \$Am
Net interest income/(expense) ¹	(255)	(381)
Base fees	463	524
Performance fees	12	218
Mergers and acquisitions, advisory and underwriting	1,035	1,156
Equity investment income	112	375
Operating lease income	66	70
Other income	72	205
Internal revenue ²	110	256
Operating income before writedowns, impairments, equity accounted gains/(losses) and one-off items	1,615	2,423
Gains on listed fund initiatives	572	-
Writedowns, impairment charges	(362)	(905)
Share of net gains/(losses) of associates	(136)	10
Total operating income (as reported)	1,689	1,528
Total operating expenses	(1,019)	(1,240)
Minority interests	(13)	(31)
Net profit contribution ³	657	257
EUM (\$Ab)	38.6	53.3
AUM (\$Ab)	96.5	159.5
Staff numbers	2,148	2,617

- Interest expense down 33% on prior year due to lower interest rates
- Base fees down 12% on prior year
 - EUM \$A38.6b – 28% down on prior year
 - Impacted by listed fund initiatives including MAp internalisation and sale of MCG manager in 1H10
- Performance fees: significant performance fee from MAG recognised in prior year
- Advisory activity up on prior year although average deal size down: 448 deals valued at approx. \$A121b (299 deals valued at approx. \$A203b in prior year⁴)
- Stronger ECM activity in 1H10
- Equity investment income down 70% in line with reduction in asset sales
 - FY10 included sale of Miclyn Express, Moto Hospitality, Puget Energy, RP Data
- Other income in the prior year included a one-off transaction and the write back of a provision
- Gains on listed fund initiatives \$A572m: MCG, MLE, MAp, MIG, MMG, A-REIT platform
- Writedowns, impairment charges of \$A362m include:
 - Equity investments (\$A289m)
 - US portfolios of ABS held as available for sale (\$A62m)
 - Loans and receivables (\$A11m)
- Expenses down 18% on prior year
 - Reduction in average headcount

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L. 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 3. Management accounting profit before unallocated corporate costs, profit share and income tax 4. The prior year comparative includes two large deals of \$A78b.



Fixed Income, Currencies and Commodities Result

	Mar 10 \$Am	Mar 09 \$Am
Commodities ¹	713	650
Foreign exchange products ¹	93	164
Interest rate products ¹	363	163
Fee and commission income	203	166
Other income	93	89
Internal revenue ²	80	66
Operating income before writedowns, impairments and equity accounted gains/(losses)	1,545	1,298
Writedowns, impairment charges	(76)	(330)
Share of net gains of associates	11	69
Total operating income (as reported)	1,480	1,037
Total operating expenses	(653)	(529)
Minority interests	-	1
Net profit contribution ³	827	509
Staff numbers	884	680

- **Commodities trading income up 10% on prior year:**
 - Consolidation and growth of the Macquarie Energy franchise in the US gas and power business
 - Agricultural Commodities contribution broadly in line with prior year
 - Metals prices recovering, particularly gold prices
- **Foreign Exchange income down 43% on prior year**
 - Significant reduction in volatility and turnover in global foreign exchange markets during the year impacted all FX market participants
 - Strong AUD placed additional downward pressure on the foreign exchange revenues
- **Interest rate products income up significantly on prior year**
 - Substantial contribution from the Emerging Markets and Credit Trading businesses
 - Improved Australian debt market conditions
- **Expenses up 23% on prior year driven by increased headcount**

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L. 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 3. Management accounting profit before unallocated corporate costs, profit share and income tax



Macquarie Securities Result

	Mar 10 \$Am	Mar 09 \$Am
Net trading income (including net interest) ¹	479	410
Brokerage and commissions	714	688
Other fee and commission income	263	156
Other income	2	1
Internal revenue ²	22	121
Operating income before writedowns, impairments and equity accounted gains/(losses)	1,480	1,376
Writedowns, impairment charges	(2)	(35)
Share of net gains of associates	2	3
Total operating income (as reported)	1,480	1,344
Total operating expenses	(900)	(1,069)
Net profit contribution ³	580	275
Staff numbers	1,673	1,540

- Net trading income up 17% on prior year:
 - Strong contribution from Arbitrage Trading activities as a result of favourable spreads in exchange traded instruments, particularly in Taiwanese, Indian and Korean markets
 - Improved demand for retail structured products in Asian markets albeit off a low base
 - Structured Equity Finance volumes down significantly on prior year
- Brokerage and commission income, up 4% on prior year:
 - Continued growth in US and European greenfield businesses
 - Impact of recent acquisitions including FPK and Tristone
 - Market share in Asia up on prior year
 - ASX turnover up 3% on prior year, Asia (excluding Japan) market turnover up 11% on prior year
 - Offset by stronger AUD and an increasing proportion of lower margin electronic trading
- Other fee and commission income, up 69% on prior year
 - Equity capital markets activity strong in Australia, Asia and Canada
- Operating expenses down 16% on prior year driven by:
 - Stronger AUD
 - Lower average headcount
 - Expense rationalisation
 - Lower brokerage and commissions expense

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L. 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 3. Management accounting profit before unallocated corporate costs, profit share and income tax.



Banking and Financial Services Result

	Mar 10 \$Am	Mar 09 \$Am
Net interest income ¹	551	425
Base fees	199	229
Brokerage and commissions	224	198
Platform and other fee and commission income	264	240
Income from life insurance business and other unit holder businesses	40	30
Other income	13	60
Internal revenue ²	11	(22)
Operating income before writedowns, impairments and equity accounted gains/(losses)	1,302	1,160
Writedowns, impairment charges	(53)	(131)
Share of net gains/(losses) of associates	2	(7)
Mortgages Italy ³	-	(217)
Total operating income (as reported)	1,251	805
Total operating expenses	(984)	(898)
Minority interests	(6)	(6)
Net profit contribution⁴	261	(99)
AUM ⁵ (\$Ab)	14.3	19.2
FUM / FUA ⁶ (\$Ab)	120.0	98.4
Staff numbers	3,268	2,598

- Net interest income growth
 - Retail deposits up 16% from \$A13.4b at Mar 09 to \$A15.5b at Mar 10 due to focus on cash offerings, including Cash Management Account
 - Australian mortgage portfolio down from \$A18.3b at Mar 09 to \$A14.3b at Mar 10
- Base fees down 13% on prior year
 - CMT AUM down from \$A14.7b at Mar 09 to \$A10.0b at Mar 10
- Acquisition of Blackmont Capital in Dec 09 and improved equity market conditions driving 13% increase in Brokerage and commissions income on prior year
- Platform and other fee and commission income up 10% on prior year
 - Australian Wrap platform \$A22.5b at 31 Mar 10
- Other income in prior year included the sale of the majority of the margin lending business
- Writedowns, impairment charges include
 - Loan impairments (\$A45m)
 - Other Impairment charges (\$A8m)

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L. 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 3. Excludes operating losses and internal management charges (eliminated on consolidation in the Group's statutory P&L) totalling \$A59m. 4. Management accounting profit before unallocated corporate costs, profit share and income tax. 5. The Macquarie CMT, reported in AUM above, is a BFS marketed product that is managed by MFG. 6. Funds under management / advice / administration ("FUM / FUA") includes AUM, funds on BFS platforms (e.g. Wrap FUA), total loan & deposit portfolios, client CHESS holdings and funds under advice (e.g. Macquarie Private Bank).



Macquarie Funds Result

	Mar 10 \$Am	Mar 09 \$Am
Base fees	234	142
Net interest income ¹	45	65
Other fee and commission income	103	143
Other income	40	9
Internal revenue ²	4	4
Operating income before writedowns, impairments and equity accounted gains/(losses)	426	363
Writedowns, impairment charges	(9)	(14)
Share of net gains/(losses) of associates	10	(12)
Total operating income (as reported)	427	337
Total operating expenses	(333)	(292)
Minority interests	1	-
Net profit contribution ³	95	45
AUM (\$Ab) ⁴	209.9	49.7
Staff numbers ⁵	1,094	583

- Acquisition of Delaware Investments in Jan 10
 - Increased AUM by \$A151b at Mar 10
 - Increased headcount by 521
- Base fees up 65% on prior year to \$A234m
 - Increase in Assets under Management from \$A50b at Mar 09 to \$A210b at Mar 10, particularly due to Delaware acquisition
- Net interest income down on prior year:
 - Redemptions from retail loans issued to investors as part of structured investment offerings
 - Funding costs of Delaware Investments acquisition
- Other fee & commission income down 28% on prior year mainly due to non-recurring service fees and lower True Index income
- Other income benefiting from positive revaluations on seed investments that are carried at fair value
- Operating expenses up due to Delaware acquisition
 - Down 16% excluding Delaware due to lower employment costs and commission expenses.

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L. 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 3. Management accounting profit before unallocated corporate costs, profit share and income tax. 4. AUM does not include the Macquarie CMT (\$A10.0b at 31 Mar 10) which is a product marketed by BFS and managed by MFG. 5. The acquisition of Delaware Investments in Jan 10 contributed 521 staff to the headcount increase.



Corporate and Asset Finance Result

	Mar 10 \$Am	Mar 09 \$Am
Net interest income ¹	361	129
Fee, commission and trading income	47	5
Operating lease income	68	114
Other income	39	24
Internal revenue ²	27	17
Operating income before writedowns, impairments and equity accounted gains/(losses)	542	289
Writedowns, impairment charges	(87)	(77)
Share of net gains of associates	1	(1)
Total operating income (as reported)	456	211
Total operating expenses	(190)	(143)
Minority interests	(2)	(2)
Net profit contribution³	264	66
Staff numbers	685	539

- Interest income up significantly:
 - Loan and finance lease portfolios \$A12.9b at Mar 10, up from \$A6.9b at Mar 09
 - Acquisition of \$A1.0b Ford Credit portfolio in Oct 09
- Fee, commission and trading income of \$A47m was primarily due to mark-to-market gains on options and equity securities
- Operating lease income down 40% on prior year due to a decrease in the operating lease portfolio from \$A1.4b at Mar 09 to \$A692m at Mar 10
- Impairment charges largely relate to collective provisioning due to substantial growth in the loan and lease portfolios
- Operating expenses up 33%

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L. 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 3. Management accounting profit before unallocated corporate costs, profit share and income tax



Real Estate Banking Result

	Mar 10 \$Am	Mar 09 \$Am
Net interest income ¹	(22)	(4)
Base fees	30	26
Performance fees	35	2
Other income	44	71
Internal revenue ²	(13)	(12)
Operating income before writedowns, impairments and equity accounted gains/(losses)	74	83
Loss on listed fund initiatives	(33)	-
Writedowns, impairment charges	(110)	(356)
Share of net gains/(losses) of associates	(31)	5
Total operating income (as reported)	(100)	(268)
Total operating expenses	(52)	(94)
Net profit contribution³	(152)	(362)
AUM (\$Ab)	5.0	14.8
Staff numbers	105	136

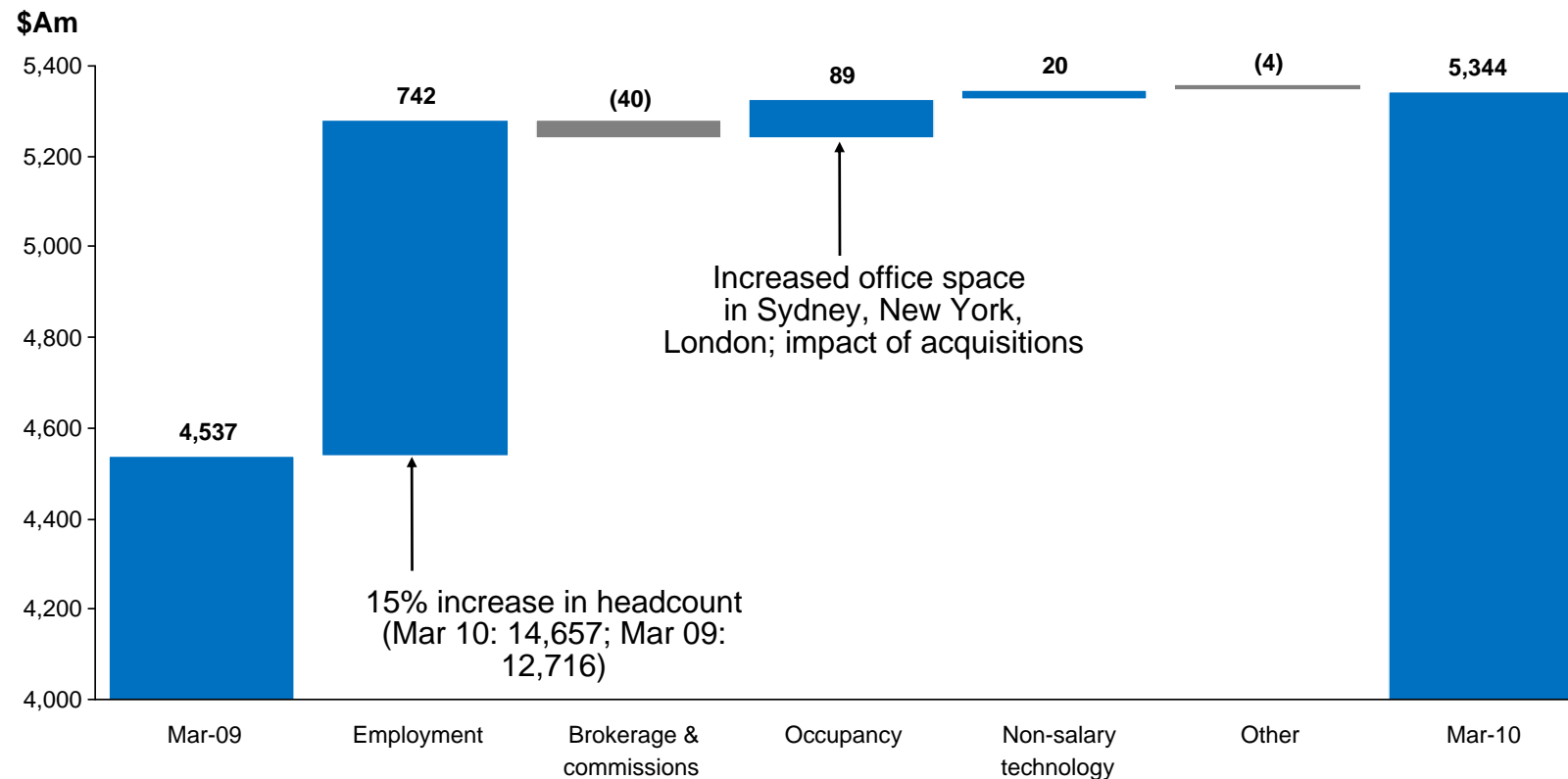
- REB net loss of \$A152m reduced from a net loss of \$A362m in the prior year, driven by significant reduction in writedowns and impairment charges
- Base and performance fees up on prior year due to sale of Macquarie Central Office CR-REIT Kukdong building in Korea
 - Underlying base fees down in line with lower AUM
- Other income down 38% on prior year
 - Prior year benefited from disposals of investments in Macquarie Prime REIT and Macquarie Goodman Asia
- Loss on sale of A-REIT investments sold to Charter Hall in Mar 10 (\$A33m), as part of profitable transaction booked in Macquarie Capital
- Writedowns, impairment charges of \$A110m include:
 - Real estate equity investments (\$A71m)
 - Real estate loans (\$A24m)
 - Non-financial assets (\$A15m)
- Operating expenses down 45% due to lower headcount

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L. 2. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 3. Management accounting profit before unallocated corporate costs, profit share and income tax.



Expenses

- Expenses up 18%; compensation ratio 42.9% (FY09: 40.7%)
 - Compensation expenses up 27%
- Expense to income ratio 80.5% (FY09: 82.1%)





Taxation

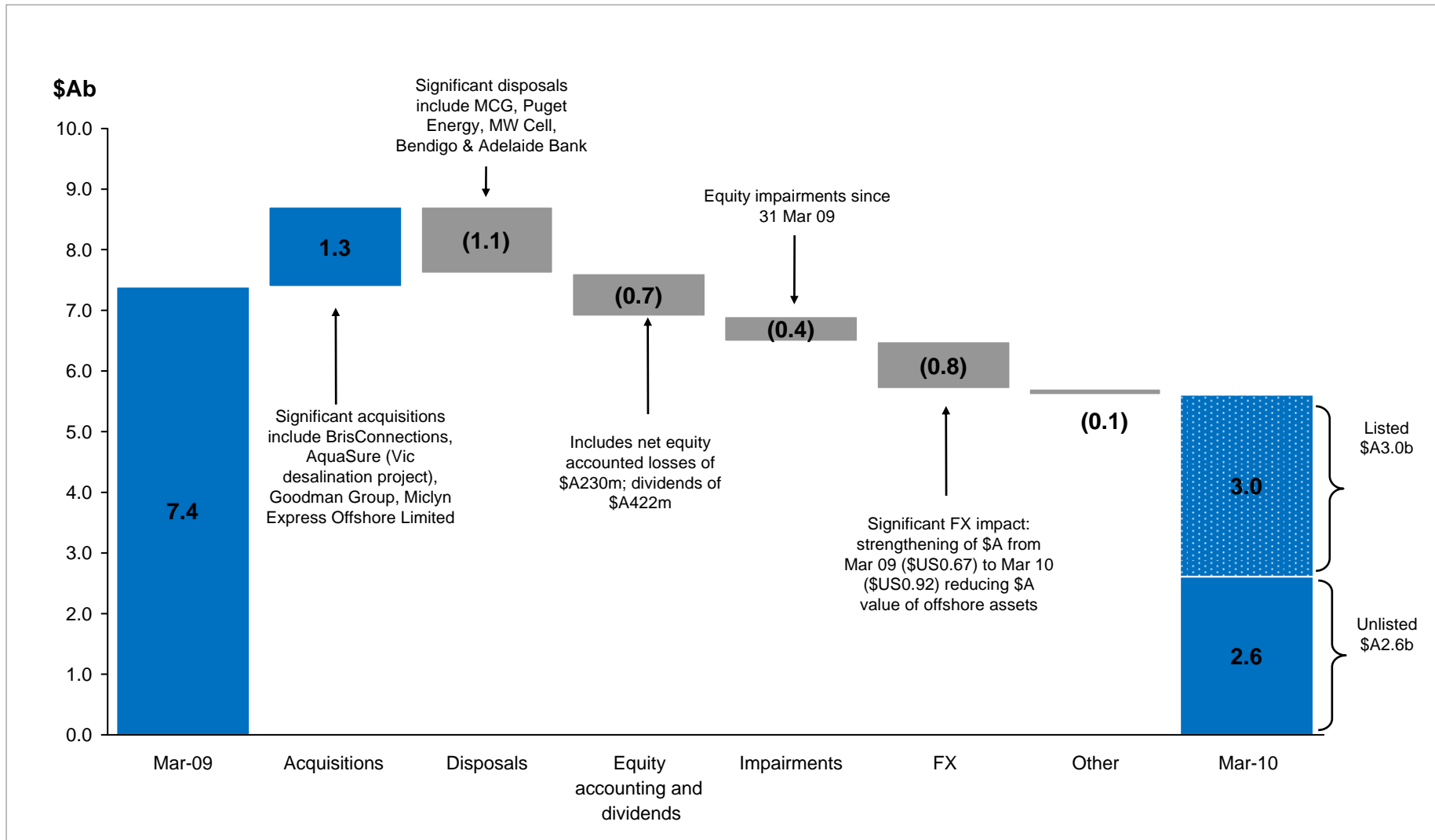
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	2H10 \$Am	1H10 \$Am	FY09 \$Am
Net profit before tax	762	532	989
Add back: writedowns and impairment charges	96	758	2,044
Net profit before impairments and tax	858	1,290	3,033
Prima facie tax @ 30%	257	387	910
Income tax permanent differences	(64)	(124)	(282)
Income tax expense (before effect of impairments)	193	263	628
<i>Implied effective tax rate¹</i>	23%	21%	21%
Prima facie tax of write downs and impairment charges @ 30%	(29)	(227)	(613)
Income tax expense/(benefit)	165	36	15
<i>Actual effective tax rate¹</i>	22%	7%	2%

1. The effective tax rate is calculated on net profit before tax and after minority interests. Minority interests reduce net profit before tax by \$A26m in 2H10, \$A17m in 1H10 and \$A103m in FY09.



Reduced equity investment portfolio¹



1. Includes equity investments available for sale, investments in associates and JVs, equity investments carried at fair value through P&L and equity investments Held for Sale ("HFS"). Investments are classified as HFS when it is highly probable that the asset will be sold in the subsequent 12 months (31 Mar 10: \$A118m; 31 Mar 09: \$A209m).



Equity investments of \$A5.6b

Category ¹	Carrying value Mar-10 \$Am	Carrying value Mar-09 \$Am	Description
Debt investment entities	225	284	Largely relates to holding in Diversified CMBS Investments Inc. Underlying investments are commercial mortgage-backed securities that are highly rated
Energy and resources	289	533	Over 100 separate investments
Finance, investment, funds management and exchanges ²	748	910	Significant investments include Macquarie AirFinance, J-Rep and MGPA. Investments in exchange seats including ASX, Korea, Tokyo, Chicago
Real Estate	547	941	Represents property and JV investments/loans. Includes investments in Spirit Finance, Medallist and Goodman Group
Telecos, internet, media and entertainment	271	662	Includes investments in Macquarie Zhaophon Holdings and Southern Cross Media Group Limited
Transport, industrial and infrastructure	2,242	2,295	Includes investments in Miclyn Express Offshore, BrisConnections, and Macquarie Airports
Macquarie Capital managed funds	787	1,178	Diversified Utility & Energy Trust, Macquarie Atlas Roads Limited, Macquarie DDR Trust, Macquarie Infrastructure Company, Macquarie International Infrastructure Company, Macquarie Korea Infrastructure Fund, MAIP, MIP funds, MEIF funds
Other Macquarie managed funds	388	359	Includes investments that hedge DPS plan liabilities – no exposure to MQG, and MFG
Held for sale	118	209	Investments classified as HFS when it's highly probable that the asset will be sold in the subsequent 12 mths
	5,615	7,371	

1. The categories of equity investments above have been restated to reflect listed fund initiatives during the year ended 31 Mar 10. The equity investment in these funds are now shown in their respective industry categories.



Positions in Listed Macquarie-managed funds & fund managers¹

	Net carrying value ² \$Am	Market value \$Am	Unrealised gain/(loss) \$Am	FY10 Initiatives completed to close the valuation gap
MAp Airports	1,152	1,245	93	Successful internalisation of management; sold stakes in JAT (~\$A260m) and Bristol Airport (£128m); reduced distribution to align with cash earnings
Intoll Group (formerly MIG)	472	356	(116)	Successful restructure of the MIG portfolio into two separate listed entities with assets allocated according to their maturity and risk profile; Intoll is a standalone entity; special 10c distribution per security
Macquarie Atlas Roads Group (formerly MIG)	80	60	(20)	New Macquarie-managed listed entity created from the MIG restructure
Charter Hall Office REIT (formerly MOF)	75	84	9	\$A508m equity raising; realisation of assets; renegotiated debt terms; refinanced \$A570m CMBS
Charter Hall Retail REIT (formerly MCW)	45	33	(12)	Exited 80% of US investments almost 15 mths ahead of schedule; successful AAA rated \$A265m CMBS issue, first \$ACMBS issue since Oct 07; renegotiated debt terms
Southern Cross Media Group (formerly MMG)	211	206	(5)	Repayment of \$A535m business level debt using \$A294m of equity raised and existing cash; successful internalisation of management and simplification of corporate structure into single publicly listed media company; buyback completed
Macquarie International Infrastructure Fund (SGX listed)	55	44	(11)	Focus on Asian infrastructure via €88m sale of its interest in MEIF and IPO of Leisureworld for \$C67m ³ ; proposed sale of its 8.7% interest in Arqiva for £117m; repaid all corporate level debt
J-REP co Ltd (TSE listed)	46	13	(33)	Completed business restructure (asset sales, cost reductions, and repayment of all recourse debt facilities), increased core portfolio occupancy to 90% (with 12 of 14 properties now at 100%)
Macquarie Infrastructure Company (NYSE listed)	60	55	(5)	Partial sale of District Energy and repayment of holding company debt; amended terms and reduced debt of largest business; exited underperforming business
Macquarie Korea Infrastructure Fund (KRX listed)	55	58	3	KRW86b Seosuwon-Osan-Pyungtaek Expressway sub loan divestment; KRW157b securitisation of Cheonan-Nonsan Expressway sub loan interest receivables
DUET Group	15	15	-	\$A265m equity raising; reduced distribution in line with increased issued equity
Macquarie DDR Trust ⁴	1	1	-	Proposed recapitalisation and new cornerstone investment, comprised of a ~\$A200m entitlement offer and a \$A9.5m private placement. The proceeds will be used to repay debt and stabilise MDT's balance sheet ⁵
			(97)	

1. Includes previously managed funds. 2. Carrying value net of AVS and equity accounted reserves. All values as at 31 Mar 10. 3. Represents net proceeds. 4. On 30 Mar 10 and after being in a trading halt since 26 Mar 10, MDT entered into voluntary suspension. 5. Subject to the finalisation of underwriting arrangements and receipt of standstill agreements from lenders and derivative counterparties.



Sustained business performance

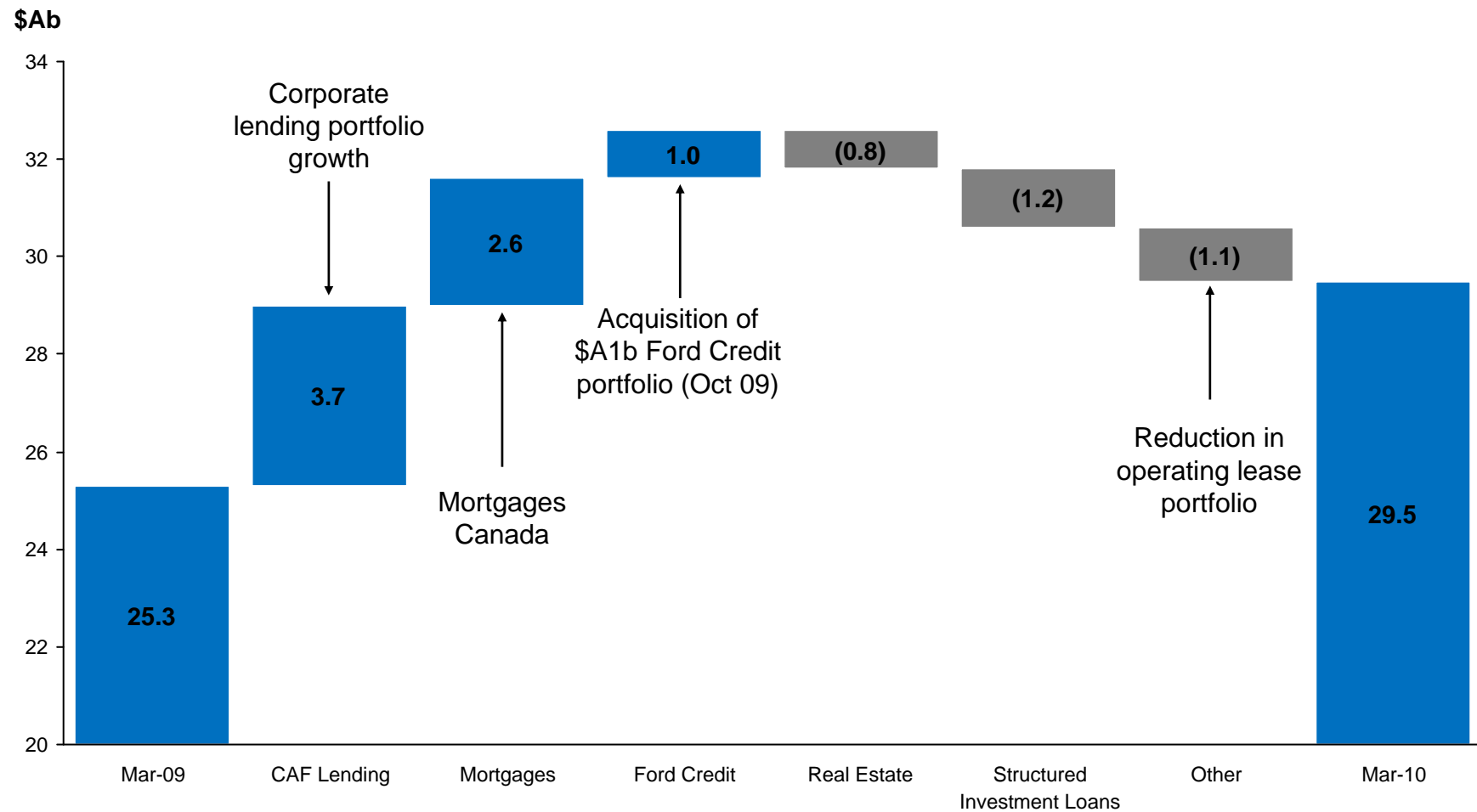
- Macquarie Capital Funds' ten largest infrastructure businesses¹ have shown resilience in challenging markets
- The majority of these assets experienced improvement in operational performance with an average 1 year EBITDA growth of 9%

		Acquisition Date	1 year EBITDA Growth ²	2 year EBITDA CAGR ²	3 year EBITDA CAGR ²
Thames Water	Utility (UK)	Dec 06	7%	4%	7%
Puget	Utility (US)	Feb 09	-3%	n/a	n/a
Arqiva ³	Communications (UK)	Jan 05	15%	8%	n/a
APRR	Toll road (France)	Feb 06	5%	2%	5%
Airwave ⁴	Communications (UK)	Apr 07	62%	32%	n/a
Techem	Utility (Germany)	Jan 08	5%	n/a	n/a
Wales and West	Utility (UK)	Jun 05	0%	14%	32%
Duquesne Light	Utility (US)	May 07	-9%	-1%	n/a
Indiana Toll Road	Toll road (US)	Jun 06	6%	5%	n/a
M6 Toll	Toll road (UK)	Oct 99	2%	-1%	2%

1. Based on the proportionate enterprise value of the Macquarie managed interest in each business at 31 Dec 09. 2. Compound annual growth in EBITDA up to the year ending 31 Mar 10 for all assets except Puget which is based on year ending 28 Feb 10. Figures based on management accounts and/or audited financial statements where available. EBITDA growth is pre exceptional items. 3. Arqiva acquired National Grid Wireless in Apr 07. EBITDA growth figures have been stated to show the performance of the combined business. 4. EBITDA growth driven by completion milestones received from roll out of fire and ambulance communication infrastructure.



Growth of loan asset portfolio



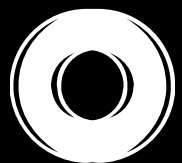
Per funded balance sheet, including loan assets held at amortised cost, loan assets held at fair value through P&L and operating lease assets held as other assets.



Loan asset portfolio quality

Loan category	Net carrying value	Provisions coverage	Net carrying value	Provisions coverage	
	Mar 10 \$Ab	Mar 10 % ¹	Mar 09 \$Ab	Mar 09 % ¹	
Mortgages					Secured by residential mortgages and supported by mortgage insurance
- Australia	2.2	0.7%	1.9	0.4%	▪ Aust: arrears ² = 1.0%, most loans are fully mortgage insured
- US	0.9	1.9%	1.3	1.8%	▪ US: arrears ² = 5.1%, majority of loans where LVR > 80% are mortgage insured
- Canada	6.7	-	4.0	<0.1%	▪ Canada: most loans are fully insured with underlying government support
Structured investments	4.0	1.1%	5.2	0.6%	Retail loans to invest in various investment funds. Secured by investments with value protected by capital guarantees at maturity. Underlying assets primarily include direct and indirect equities & cash
Banking	3.6	1.1%	3.3	0.8%	Secured relationship managed loan portfolio of \$A3.2b to professional & financial services firms, real estate industry clients, insurance premium funding and other small business clients. Secured largely by real estate, working capital and business cash flows and credit insurance; Other consumer lending of \$A0.4b including credit cards
Real estate	0.6	16.7%	1.4	12.1%	Loans secured against real estate, subject to regular independent valuations. Large impairment provisions
Resources and commodities	1.7	8.7%	1.5	12.8%	Diversified loan portfolio primarily to resources sector that are secured by the underlying assets. Secured by gold, base metals and oil resources and supported by price hedging
CAF leasing	3.7	1.3%	3.7	1.7%	Secured by underlying leased assets (motor vehicles and specialised equipment), diversified portfolio by geography and security asset class
CAF lending ³	5.1	1.4%	1.4	1.1%	Diversified secured corporate lending, subject to regular recoverability review. Secured by diverse range of corporate assets and other securities.
Other lending	1.0	3.0%	1.6	3.1%	Includes: <ul style="list-style-type: none"> ▪ aircraft operating lease portfolio to single counterparty with average aircraft life <3 years, all aircraft residual values insured. ▪ amounts on deposit with financial institutions as collateral for trading positions. ▪ other secured lending, subject to regular recoverability review. Secured by diverse range of corporate assets and other securities.
Total loan assets⁴	29.5		25.3		

Coverage % based on total collective and specific provisions divided by gross loan value at 31 Mar 10. 2. Arrears based on 90+ days past due at 31 Mar 10 across all mortgage portfolios. 3. Excludes assets recorded as Debt Investment Securities. 4. Per the funded balance sheet, including loan assets held at amortised cost, loan assets held at fair value through P&L and operating lease assets held as other assets.



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Further Information

Financial Management

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Highlights

- Continue to strengthen the balance sheet by extending the Group's term funding profile
 - Term assets more than covered by term funding
- Deposits up 42% from Mar 08 to \$A18.8b at Mar 09
 - Retail deposits up 103% from Mar 08 to \$A13.4b at Mar 09
- Reduced reliance on short-term wholesale funding markets
- Cash and liquid assets represent over 40% of the Group's funded balance sheet
 - 97% of liquid assets repo eligible with central banks, remaining securities short dated
- As with other global financial institutions, access to non-government guarantee funding markets remains exceptionally challenging
- \$A3.1b buffer of capital in excess of the Group's minimum capital requirements



Funded balance sheet reconciliation

- The Group's statutory balance sheet is prepared based on generally accepted accounting principles which do not represent actual funding requirements
- A funded balance sheet reconciliation has been prepared to reconcile the reported assets of the consolidated Group to the assets that require funding

	Mar 10 \$Ab	Mar 09 \$Ab
Total assets per Statutory Balance Sheet	145.9	149.1
<i>Deductions:</i>		
Self funded trading assets	(15.4)	(10.5)
Derivative revaluation accounting gross ups	(21.2)	(26.1)
Life investment contracts and segregated assets	(7.3)	(6.9)
Broker settlement balances	(5.7)	(5.5)
Working capital assets	(6.6)	(5.1)
<i>Less non-recourse funded assets:</i>		
Securitised assets and non-recourse warehouses	(14.8)	(20.4)
Total assets per Funded Balance Sheet	74.9	74.6



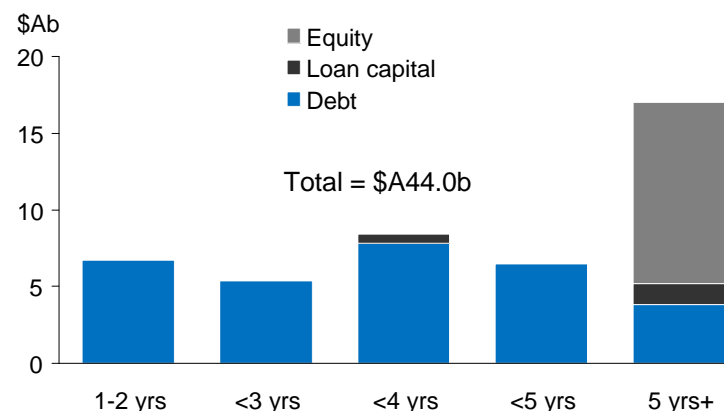
Funded balance sheet

31 March 2010

	Mar 10 \$Ab	Mar 09 \$Ab
Funding sources		
Wholesale issued paper:		
Negotiable certificates of deposit	1.9	4.7
Commercial paper	3.0	3.0
Net trade creditors	0.4	0.4
Structured notes	2.8	4.0
Secured funding	8.3	6.6
Bonds	17.5	16.9
Other loans	0.7	0.9
Senior credit facility	6.9	7.4
Corporate/wholesale deposits	4.1	5.2
Retail deposits	15.5	13.4
Loan capital ¹	2.0	2.5
Equity and hybrids ²	11.8	9.6
Total funding sources	74.9	74.6
Funded assets		
Cash and liquid assets	22.2	30.3
Net trading assets	12.7	9.1
Loan assets < 1 year	7.2	5.8
Loan assets > 1 year	22.3	19.5
Assets held for sale	0.1	0.2
Debt investment securities	2.8	1.2
Co-investment in Macquarie-managed funds and equity investments	5.5	7.2
Property, plant & equipment and intangibles	2.1	1.3
Total funded assets	74.9	74.6

- Well diversified funding sources
- Retail deposit base continues to grow, representing a stable and reliable source of funding
- Term funding beyond 1 year (excluding equity) has a weighted average term to maturity of 3.9 years

Term funding (drawn and undrawn³) maturing beyond 1 year (including equity)

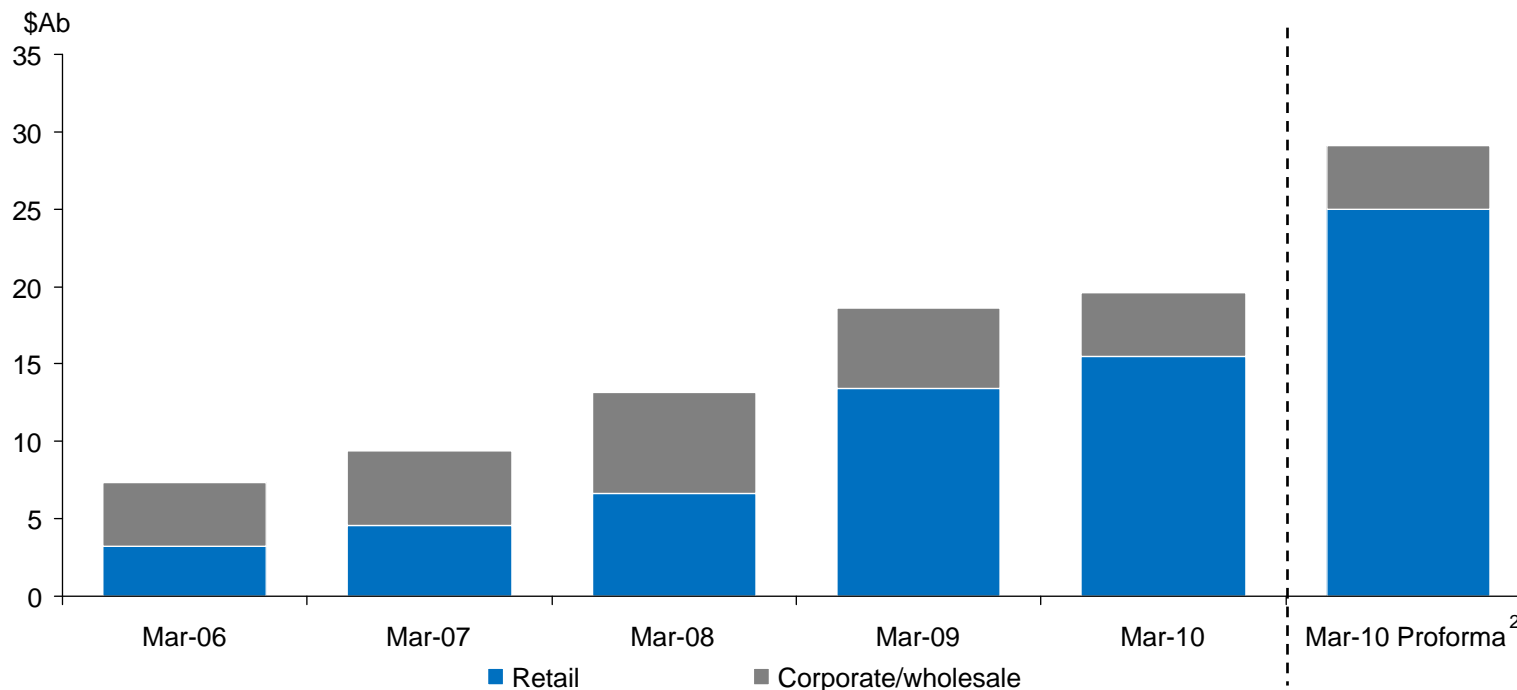


1. This includes Convertible Preference Securities. 2. Equity includes ordinary capital and Macquarie Income Securities of \$A0.4b, and Hybrids include the Macquarie Income Preferred Securities of \$A0.1b. 3. Undrawn term facilities for the Group include \$A0.4b undrawn of the Senior Credit Facility.

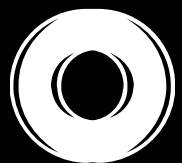


Continued retail deposit growth

- Macquarie has been successful in pursuing its strategy of diversifying its funding sources through growing its deposit base
 - Focus has been on improving the composition and quality of the deposit base
 - Particularly good growth in the recently launched CMA deposit product, \$A3.6b at Mar 10 (\$A1.7b at Sep 09)
 - CMT funds will transfer to CMA on 31 Jul 10. CMT volume at 31 Mar 10 was \$A9.5b¹



1. This represents CMT balance at 31 Mar 10 net of amount on deposit with MBL (\$A0.5b) 2. Proforma includes effect of \$A9.5b CMT transfer



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Appendix A

Additional Information – Funding

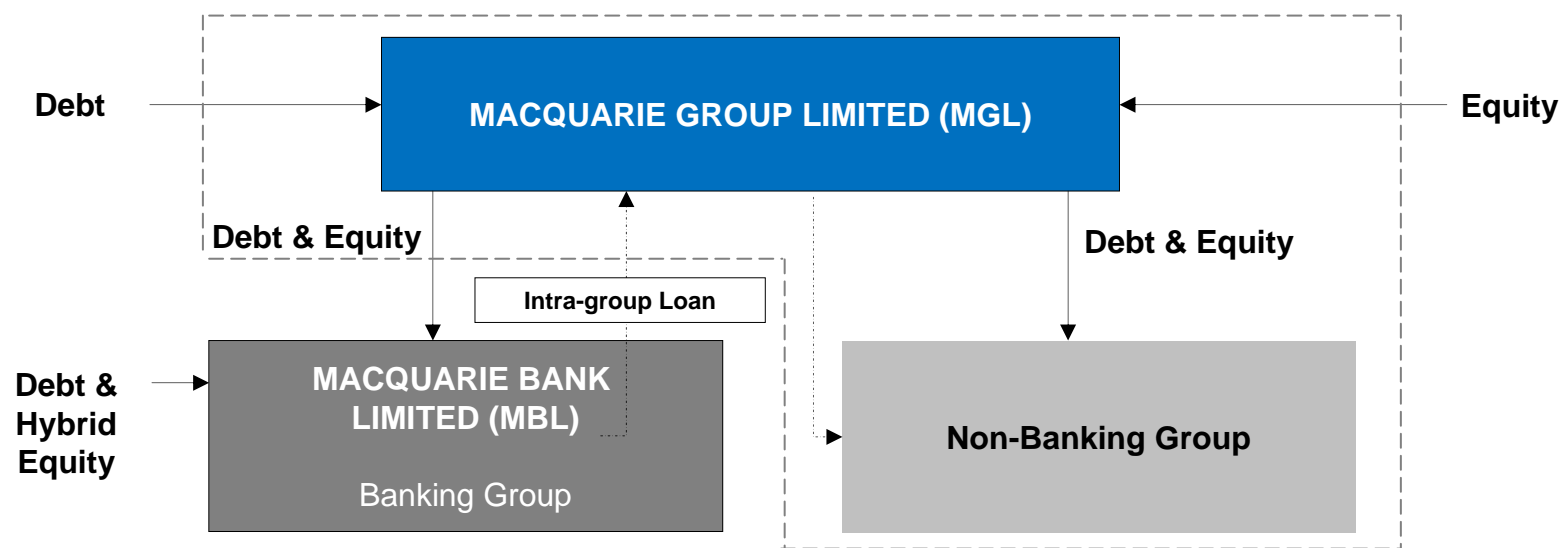
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Group funding structure

- MGL and MBL are the Group's two primary external funding vehicles which have separate and distinct funding, capital and liquidity management arrangements
- MBL provides funding to the Bank Group and intra-group funding to MGL
- MGL provides funding predominantly to the Non-Bank Group





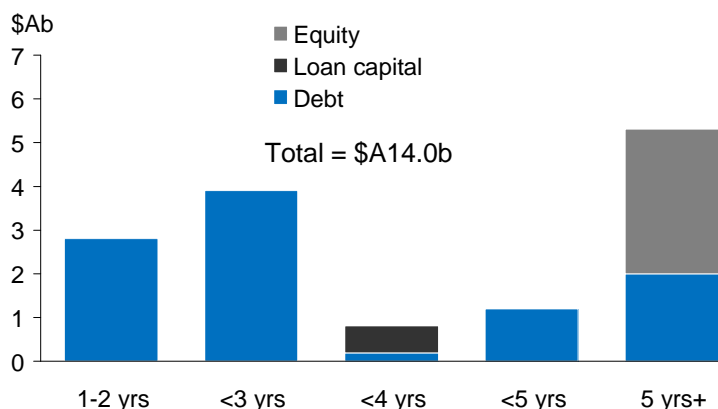
Funding for the Non-Bank Group

31 March 2010

	Mar 10 \$Ab	Mar 09 \$Ab
Funding sources		
MBL intra-group loan to MGL	1.2	3.8
Net trade creditors	0.5	0.2
Structured notes	0.2	0.3
Bonds	3.2	-
Secured funding	0.6	0.8
Other loans	0.5	0.5
Senior credit facility	6.9	7.4
Loan capital ¹	0.6	0.6
Equity	3.3	3.2
Total funding sources	17.0	16.8
Funded assets		
Cash and liquid assets	2.1	4.8
Non Banking Group deposit with MBL	6.9	2.5
Net trading assets	1.4	1.0
Loan assets < 1 year	0.4	0.2
Loan assets > 1 year	1.0	1.6
Assets held for sale	-	0.1
Debt investment securities	0.3	0.6
Co-investment in Macquarie-managed funds and equity investments	3.9	5.1
Property, plant & equipment and intangibles	1.0	0.9
Total funded assets	17.0	16.8

- Non-Bank Group is predominantly term funded
- Term funding beyond 1 year (excluding equity) has a weighted average term to maturity of 3.8 years
- MBL intra-group loan has been amortised to \$A1.2b with the remainder maturing in 2012

Term funding (drawn and undrawn²) maturing beyond 1 year (including equity)



1. This includes Convertible Preference Securities. 2. Undrawn term facilities for the Non-Bank include \$A0.4b undrawn on the Senior Credit Facility.



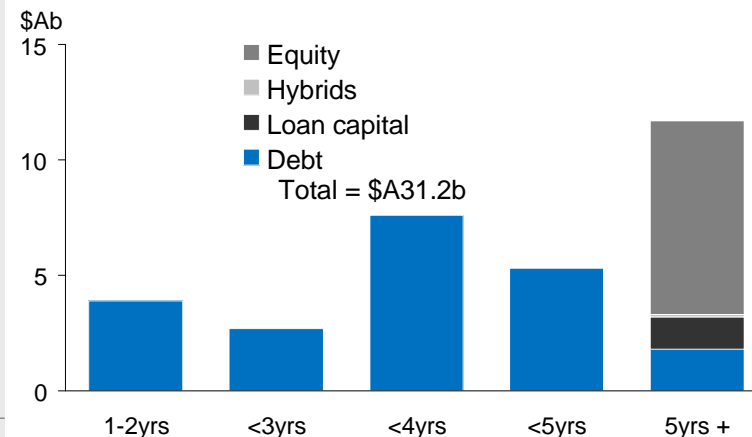
Funding for the Bank Group

31 March 2010

	Mar 10 \$Ab	Mar 09 \$Ab
Funding sources		
Negotiable certificates of deposit	1.9	4.7
Commercial paper	3.0	3.0
Net trade creditors	-	0.2
Structured notes	2.6	3.7
Secured funding	7.7	5.8
Bonds	14.3	16.9
Other loans	0.2	0.4
Corporate/wholesale deposits	4.1	5.2
Retail deposits	15.5	13.4
Loan capital	1.4	1.9
Equity and hybrids ¹	8.5	6.4
Total funding sources	59.2	61.6
Funded assets		
Cash and liquid assets	20.1	25.5
Net trading assets	11.3	8.1
Loan assets < 1 year	6.8	5.6
Loan assets > 1 year	21.3	17.9
Assets held for sale	0.1	0.1
Debt investment securities	2.5	0.6
MBL intra-group loan to MGL	1.2	3.8
Non-Banking Group deposit with MBL	(6.9)	(2.5)
Co-investment in Macquarie-managed funds and equity investments	1.6	2.1
Net trade debtors	0.1	-
Property, plant & equipment and intangibles	1.1	0.4
Total funded assets	59.2	61.6

- Bank balance sheet remains very liquid, well capitalised and with a diversity of funding sources
- Term funding beyond 1 year (excluding equity) has a weighted average term to maturity of 3.8 years
- Retail deposits of Macquarie Bank Limited benefit from the guarantee provided by the Australian Government²

Term funding (drawn and undrawn³) maturing beyond 1 year (including equity)

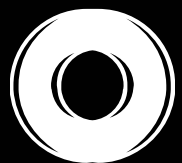


1. Equity includes ordinary capital and Macquarie Income Securities of \$A0.4b. Hybrids include the Macquarie Income Preferred Securities of \$A0.1b. 2. The first \$A1 million of aggregate retail deposits held by an individual is guaranteed for free under the Financial Claims Scheme 3. There are no undrawn term facilities for the Bank Group at 31 Mar 10.



Explanation of Funded Balance Sheet Reconciling Items

- **Self funded trading assets:** There are a number of entries on the balance sheet that arise from the normal course of trading activity we conduct with our clients. They typically represent both sides of a transaction. The entries off-set each other as both the bought and sold positions are recorded separately. Where these entries are matched, they do not require funding.
- **Derivative re-valuation accounting gross ups:** Macquarie's derivative activities are client driven with client positions hedged by off-setting positions. The derivatives are largely matched and this adjustment reflects that the matched positions do not require funding.
- **Life investment contracts and other segregated assets:** These represent the assets and liabilities that are recognised where we have products such as investment-linked policy contracts. The policy (contract) liability will be matched by assets held to the same amount and hence do not require funding.
- **Broker settlement balances:** At any particular time our broking business will have outstanding trades to settle with other brokers. These amounts (payables) can be offset in terms of funding by amounts that we are owed at the same time by brokers on other trades (receivables).
- **Short term working capital assets:** As with the broker settlement balances above, Macquarie through its day-to-day operations generates working capital assets (e.g. receivables and prepayments) and working capital liabilities (e.g. creditors and accruals) that produce a 'net balance' that requires funding rather than the gross balance.
- **Securitised assets and non-recourse warehouses:** Some lending assets (mortgages and leasing) are commonly sold down into external securitisation entities or transferred to external funding warehouses. As a consequence they are non-recourse to Macquarie and are funded by third parties rather than Macquarie.



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Appendix B

Additional Information – Capital

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Macquarie Group regulatory capital Surplus calculation

	\$Am	
Macquarie Group eligible capital:		
Banking Group Gross Tier 1 capital	7,930	
Non-Bank eligible capital	3,880	
Eligible capital	11,810	(a)
Macquarie Group capital requirement:		
Banking Group contribution		
Risk-weighted assets (excluding intra-group exposures) ¹	46,940	
Internal minimum Tier 1 ratio (Bank)	7%	
Capital required to cover risk-weighted assets	3,286	
Tier 1 deductions	2,466	
Banking Group contribution	5,752	
Non-Banking Group contribution	2,094	
Capital requirement	7,846	(b)
Surplus over Group's minimum regulatory capital requirement	3,964	(a)-(b)

1. In calculating the Bank's contribution to Group capital requirement, RWA associated with exposures to the Non-Bank are eliminated (\$A393m as at Mar 10).



Macquarie Group regulatory capital

Banking Group contribution

	Risk-weighted assets \$Am	Tier 1 Deductions \$Am	Capital Requirement ¹ \$Am
Credit and equity risk			
On balance sheet	26,824		1,878
Off balance sheet	9,615		673
Credit and equity risk subtotal	36,439		2,551
Market risk	2,480		174
Operational risk	6,748		472
Other	1,273	2,466	2,555
Contribution to Group capital calculation	46,940	2,466	5,752
MBL intra-group loan to MGL	393 ²		
Banking Group standalone risk-weighted assets	47,333		

1. The capital requirement is calculated as the capital required for RWA, at the internal minimum Tier 1 ratio of the Banking Group (7%), plus Tier 1 deductions. 2. Intra-group loan eliminated for calculation of Group capital requirement



Macquarie Group regulatory capital Non-Banking Group framework

- APRA has specified a regulatory capital framework for MGL
- A dollar capital surplus is produced; no capital ratio calculation is specified
- APRA has approved Macquarie’s Economic Capital Adequacy Model (ECAM) for use in calculating the regulatory capital requirement of the Non-Banking Group
- Any significant changes to the ECAM must be approved by the MGL Board and notified to APRA within 14 days
- The ECAM is based on similar principles and models as the Basel II regulatory capital framework for Banks, with both calculating capital at a one year 99.9% confidence level:

Risk ¹	Basel II	ECAM
Credit	<ul style="list-style-type: none"> ▪ Capital requirement determined by Basel II formula, with some parameters specified by the regulator (e.g. loss given default) 	<ul style="list-style-type: none"> ▪ Capital requirement determined by Basel II formula, but with internal estimates of some parameters
Equity	<ul style="list-style-type: none"> ▪ Simple risk-weight approach or deductions. Tier 1 capital requirement between 24% and 50% of face value² 	<ul style="list-style-type: none"> ▪ Extension of Basel II credit model to cover equity exposures. Capital requirement between 39% and 82% of face value; average 51%
Market	<ul style="list-style-type: none"> ▪ 3 times 10 day 99% Value at Risk (VaR) plus a specific risk charge 	<ul style="list-style-type: none"> ▪ Scenario-based approach. Greater capital requirement than under regulatory regime
Operational	<ul style="list-style-type: none"> ▪ Basel II Advanced Measurement Approach 	<ul style="list-style-type: none"> ▪ Basel II Advanced Measurement Approach

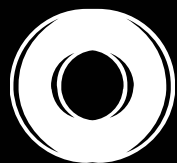
1. The ECAM also covers insurance underwriting, non-traded interest rate risk and the risk on assets held as part of business operations, e.g. fixed assets, goodwill, intangible assets, capitalised expenses and certain minority stakes in associated companies or stakes in joint ventures. 2. Assuming an 8% Tier 1 ratio, the 300% and 400% risk weightings for equity exposures under Basel II equate to a capital requirement of 24% or 32%. Any deductions required for equity exposures are 50/50 Tier 1 and Tier 2, hence a 50% Tier 1 capital requirement



Macquarie Group regulatory capital Non-Banking Group contribution

	Assets \$Ab	Capital Requirement \$Am	Equivalent Risk Weight
Funded assets			
Cash and liquid assets	2.1	23	13%
Loan assets ¹	1.4	85	76%
Debt investment securities	0.3	17	72%
Co-investment in Macquarie-managed funds and equity investments	3.8	1,685	561%
Co-investment in Macquarie-managed funds (relating to investments that hedge DPS plan liabilities)	0.1		
Property, plant & equipment and intangibles ²	1.0	276	355%
Non-Banking Group deposit with MBL	6.9		
Net trading assets	1.4		
Total funded assets	17.0	2,086	
Self-funded and non-recourse assets			
Self funded trading assets	2.5		
Broker settlement balances	3.8		
Working capital assets	2.9		
Total self-funded and non-recourse assets	9.2		
TOTAL NON-BANKING GROUP ASSETS	26.2		
Off balance sheet exposures, operational, market & other risk and diversification offset ³		8	
NON-BANKING GROUP CAPITAL REQUIREMENT		2,094	

1. Includes leases. 2. A component of the intangibles relating to the acquisitions of Orion Financial Inc and Tristone Capital Global Inc are supported 100% by exchangeable shares. These exchangeable shares have not been included in eligible regulatory capital. 3. Includes capital associated with net trading assets (e.g. market risk capital), net trade debtors and assets held for sale



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