



## **ASX/Media Release**

### **Investor presentation and outlook update**

**SYDNEY, 15 September 2014** – As part of its regular investor communications program, Macquarie Group (Macquarie) (ASX: MQG; ADR: MQBKY) will be presenting at the CLSA Investors Forum on 16 and 17 September 2014.

Contained within the presentation (see attached) is an update to the short term outlook statement that Macquarie provided at the Group's Annual General Meeting on 24 July 2014.

Notably, we now expect MFG to be up on FY14 due to increased performance fees from the listed and unlisted funds.

Given the increased contribution expected from MFG, we now expect the FY15 result for the Group to be slightly up on FY14.

- Given the timing of transactions, the 1H15 result is currently expected to be up approximately 25-30 percent on 1H14 and down on 2H14, subject to the level of performance fees and the conduct of period end reviews
- Consequently, it is expected that the 2H15 result will only be moderately up on 1H15

Our short term outlook remains subject to a range of challenges including:

- Market conditions
- The impact of foreign exchange
- The cost of our continued conservative approach to funding and capital; and
- Potential regulatory changes and tax uncertainties

Over the medium term, Macquarie remains well positioned to deliver superior performance. The Group has deep expertise in major markets and we continue to build on our strength in diversity and adapt our portfolio mix to changing market conditions. We are seeing the ongoing benefits of continued cost initiatives, our balance sheet is strong and conservative, and we have a proven risk management framework and culture.

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# 21<sup>st</sup> CLSA Investor Forum

## Grand Hyatt, Hong Kong

Presentation to Investors and Analysts

16-17 September 2014

**Patrick Upfold**, Chief Financial Officer

# Disclaimer



The material in this presentation has been prepared by Macquarie Group Limited ABN 94 122 169 279 (“Macquarie”) and is general background information about Macquarie’s activities current as at the date of this presentation. This information is given in summary form and does not purport to be complete. Information in this presentation, including forecast financial information, should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice. All securities and financial product or instrument transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk.

This presentation is being made only to investment professionals and must not be distributed to or relied upon by any other person.

This presentation may contain forward looking statements including statements regarding our intent, belief or current expectations with respect to Macquarie’s businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward looking statements. Macquarie does not undertake any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Macquarie’s control. Past performance is not a reliable indication of future performance.

Unless otherwise specified all information is for the full year ended 31 March 2014.

Certain financial information in this presentation is prepared on a different basis to the Macquarie Group Limited Financial Report, which is prepared in accordance with Australian Accounting Standards. Where financial information presented within this presentation does not comply with Australian Accounting Standards, a reconciliation to the statutory information is provided.

This report provides further detail in relation to key elements of Macquarie Group Limited’s financial performance and financial position. It also provides an analysis of the funding profile of the Group because maintaining the structural integrity of the Group’s balance sheet requires active management of both asset and liability portfolios. Active management of the funded balance sheet enables the Group to strengthen its liquidity and funding position.

Any additional financial information in this presentation which is not included in the Macquarie Group Limited Financial Report was not subject to independent audit or review by PricewaterhouseCoopers

# Agenda



1. About Macquarie
2. 1Q15 Update
3. Outlook
4. Appendices



MACQUARIE

# 01

About Macquarie

Presentation to Investors and Analysts September 2014



# About Macquarie



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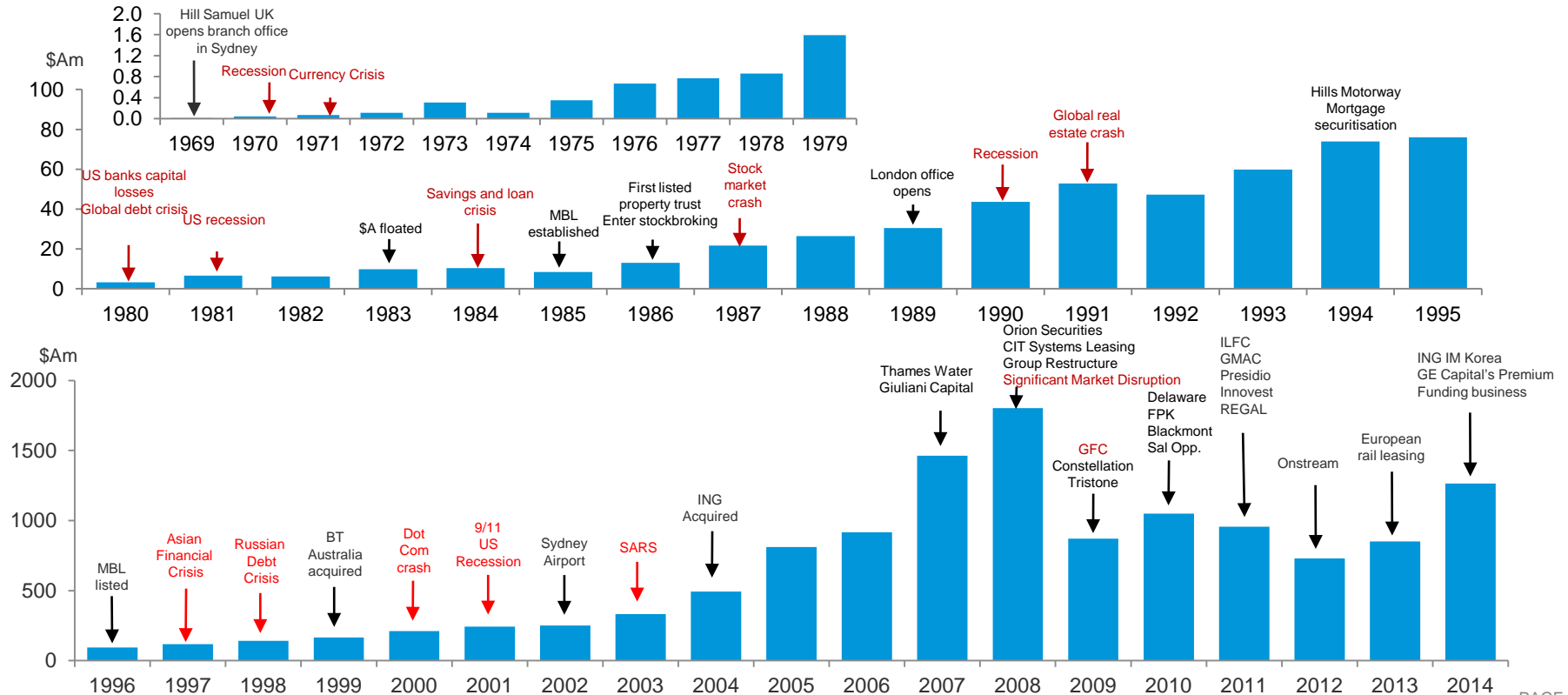
Macquarie has built a uniquely diversified business since its inception in 1969. It is a global business built upon a range of products and sectors in which it has world-leading expertise

- Global provider of banking, financial, advisory, investment and funds management services
- Main business focus is providing products and services to clients
- Listed on Australian Stock Exchange (ASX: MQG; ADR: MQBKY)
- Regulated by APRA, Australian banking regulator, as non-operating holding company of a licensed Australian bank
- Assets under management \$A407 billion<sup>1</sup>
- Currently employs over 13,900 people and operates in over 28 countries<sup>2</sup>

# Macquarie has a long history of profitability



MACQUARIE



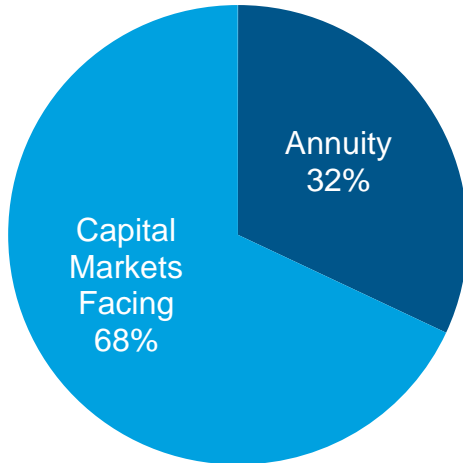
# Annuity style income growth

## Evolution of the business

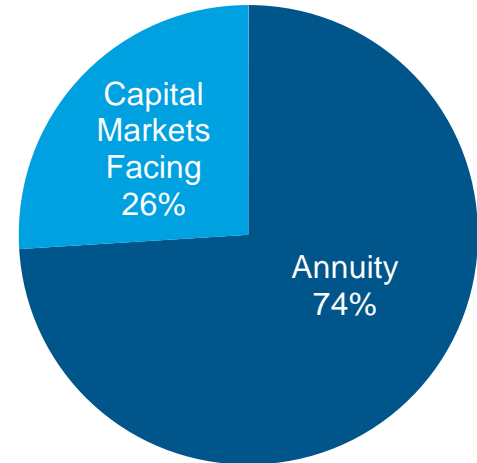


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### Annuity vs Capital Markets Facing Income FY08



### Annuity vs Capital Markets Facing Income FY14





# About Macquarie

## Macquarie Funds Group



Top 50 global asset manager with \$A405.1b<sup>1</sup> of assets under management

- Provides clients with access to a diverse range of capabilities and products, including:
  - Infrastructure and real asset management
  - Securities investment management
  - Tailored investment solutions over funds and listed equities

Macquarie Funds Group		
Macquarie Infrastructure and Real Assets	Macquarie Investment Management	Macquarie Specialised Investment Solutions
AUM: \$A112b <sup>1</sup>	AUM: \$A291b <sup>1</sup>	AUM: \$A2b <sup>1</sup>

**#1 Infrastructure Investor** globally<sup>2</sup>

**World's largest alternative assets manager** as ranked by Towers Watson<sup>3</sup>

**8 Lipper Awards** in 2014 across the US & Europe<sup>4</sup>

Asian Alpha strategy awarded **Best Market Neutral Hedge Fund** in Asia & Australia<sup>5</sup>

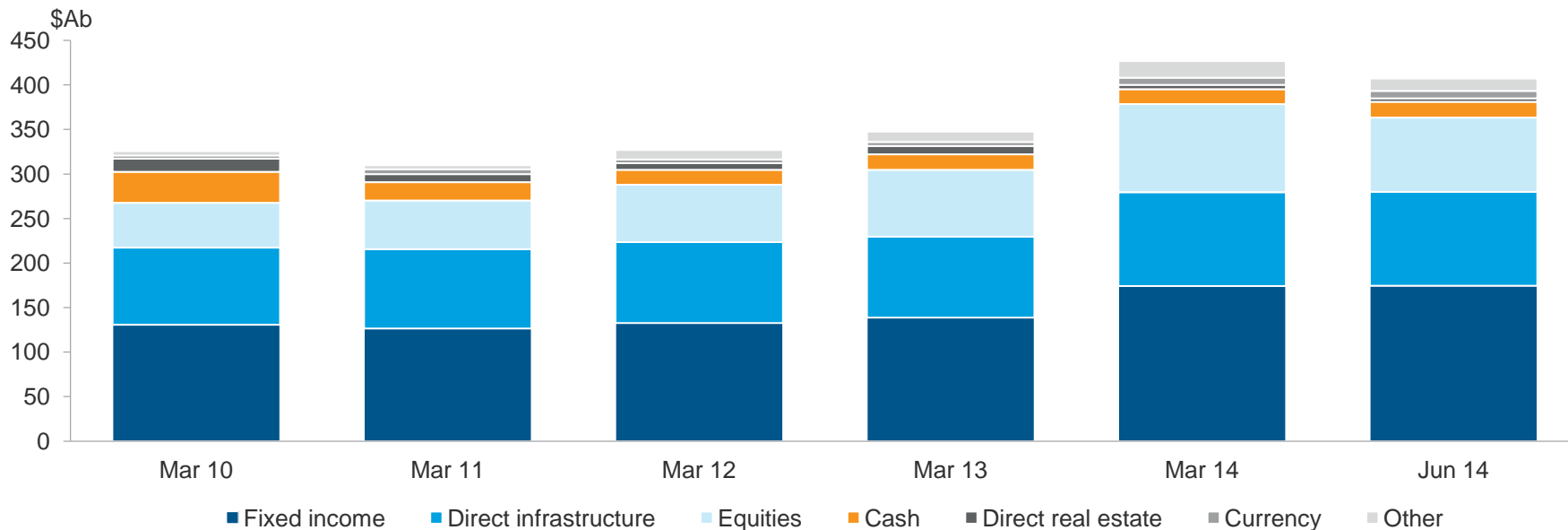
1. Data as at 30 Jun 14. 2. First in Infrastructure Investor magazine's ranking of 'Top 30 investors' by equity raised in the past 5 years, for the 4th consecutive year. 3. Ranking taken from 'The Global Alternatives Survey', published by Towers Watson in conjunction with the Financial Times using AUM data from the Global Billion Dollar Club, published by HedgeFund Intelligence, as at 31 Dec 13. 4. For more information about these awards, the issuers of these awards, their methodologies, and other important information about these awards, please visit: <http://www.macquarie.com.au/mgl/au/mfg/mim/about-us/awards>.

5. Awards received at the 2013 HFM Week Asia Performance awards, and at the 2013 Australian Hedge Fund Awards in recognition of outstanding risk-adjusted performance over the 12 months to 31 Aug 13.

# Assets under management of \$A407 billion<sup>1</sup>



- AUM decreased \$A20b or 5% since 31 Mar 14, primarily driven by the partial transfer of Delaware Equities Focus Global Growth assets on completion of the Jackson Square Partners joint venture



# About Macquarie

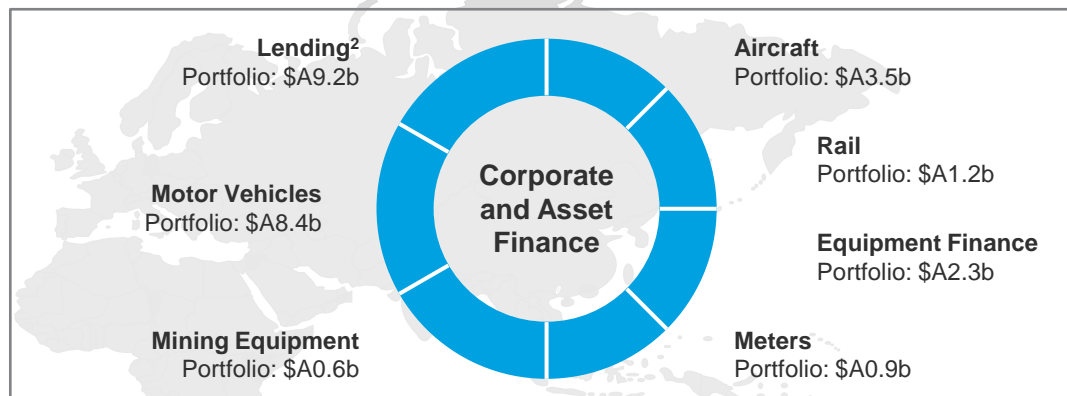
## Corporate and Asset Finance Group



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\$A26.1b<sup>1</sup> of loans and assets under finance

- Delivers tailored finance and asset management solutions to clients through the cycles
- Specialists in corporate and real estate lending
  - provides primary financing to clients and invests in credit assets in secondary markets
- Supports annuity style businesses through different growth phases
- Selectively invests in specialised asset classes
- Expertise in asset finance including aircraft, motor vehicles, technology, healthcare, manufacturing, industrial, energy, rail and mining equipment.



**Leading** market participant in bespoke primary lending; **niche** acquirer of secondary loans

One of the **largest** providers of motor vehicle finance in Australia

One of North America's **largest** independent lessors of technology equipment

1. Data as at 30 Jun 14. 2. Includes RESF run off portfolio.

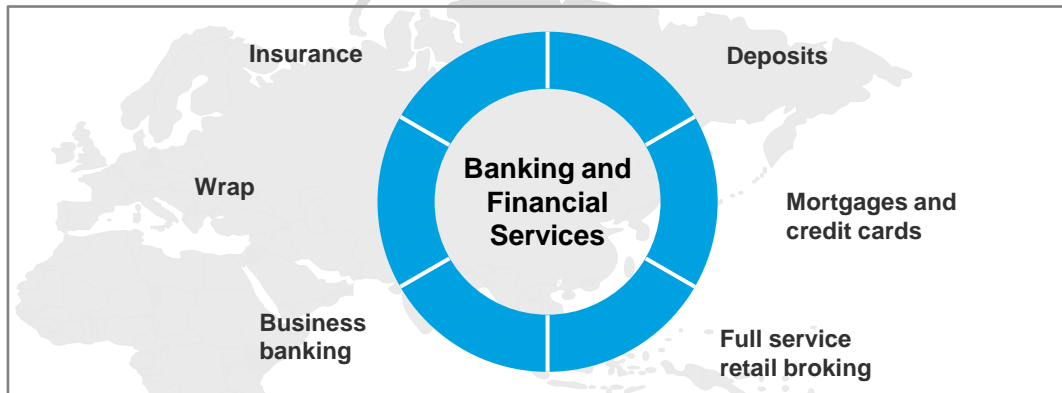
# About Macquarie

## Banking and Financial Services Group



\$A34.7b<sup>1</sup> total retail deposits

- 1 million Australian retail clients
- Provides a diverse range of personal banking, wealth management and business banking products and services
- Strong intermediary relationships and white label arrangements as well as Macquarie-branded offerings



Macquarie awarded **Lender of the Year** (Tier 2) at Mortgage and Finance Association of Australia 11<sup>th</sup> Excellence Awards

Australian  
**mortgage portfolio**  
**\$A18.5b<sup>1</sup>**

Macquarie CMA's **SMSF capability topped 3 categories** at SMSF Awards<sup>2</sup>

**Macquarie Life** awarded five star status for 6<sup>th</sup> consecutive year by Beaton Research<sup>3</sup>

1. Data as at 30 Jun 14. 2. Macquarie topped 3 categories in the SMSF Awards 2014 – Term Deposit Provider, Investment Platform Provider and Loan Provider. 3. Currently the only five star rated insurer in the market.

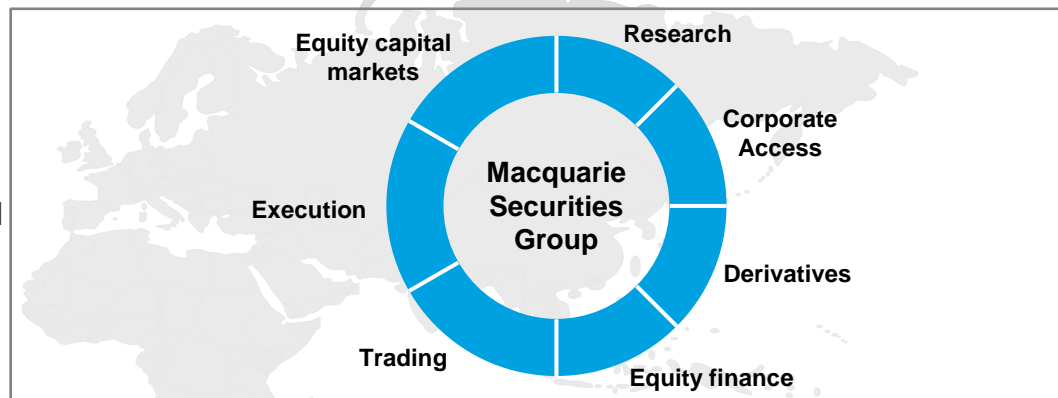
# About Macquarie

## Macquarie Securities Group



Innovative specialists leveraging Asia-Pacific insights to the world

- Global institutional securities house with strong Asia-Pacific foundations covering sales, research, ECM, execution and derivatives activities
- Full-service cash equities in Australia, Asia, South Africa and Canada with offerings in US and Europe. Specialised derivatives in key locations globally
- Key specialities: infrastructure and utilities, TMET, resources (mining and energy), industrials and financial institutions



**25+ years**

Knowledge and experience in Asia-Pacific

**1,050**  
staff<sup>1</sup> across  
**19** countries

**No.1**  
for Australian Equities in  
Australia and Asia<sup>2</sup>,

**No.1** warrants  
market share  
Singapore<sup>3</sup>  
**No.2**  
in Thailand<sup>3</sup>

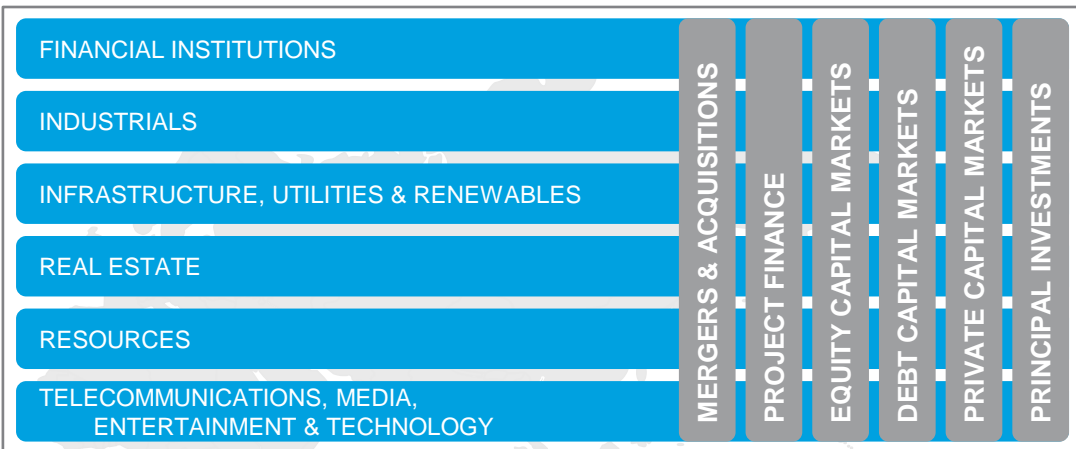
**No.1**  
for Australian Equities in  
US and Europe<sup>4</sup>

# About Macquarie

## Macquarie Capital



- Global corporate finance capability, including M&A, debt and equity capital markets, and principal investments
- Key specialities: infrastructure, utilities and renewables; resources (mining and energy); real estate; telecommunications, media, entertainment and technology; industrials and financial institutions
- Winner of over 29 awards globally in the twelve months to 31 March 2014, including Best Investment Bank (Australia)<sup>1</sup> and Best M&A House (Australia)<sup>2</sup>



**No.1**  
ANZ announced M&A deals<sup>3</sup>

**No.1**  
ANZ IPOs<sup>4</sup>

**Best M&A** House  
Australia 2014<sup>5</sup> and  
**Domestic Equity**  
House Australia 2014<sup>6</sup>

Renewables  
**Deal of the Year**<sup>7</sup>

North American  
Infrastructure  
**Deal of the Year**<sup>8</sup>

1. The Asset; M&A Advisor; Global Finance Magazine. 2. Capital CFO; FinanceAsia; Asiamoney. 3. Dealogic, Apr-Jun 14, by number (Australia and New Zealand). 4. Dealogic, Apr-Jun 14, by value & number. 5. Euromoney. 6. Asiamoney 7. Infrastructure Journal March 2014 for London Array Offshore Wind Farm OFTO. 8. Infrastructure Investor Awards (2013) for Goethals Bridge Replacement Project.

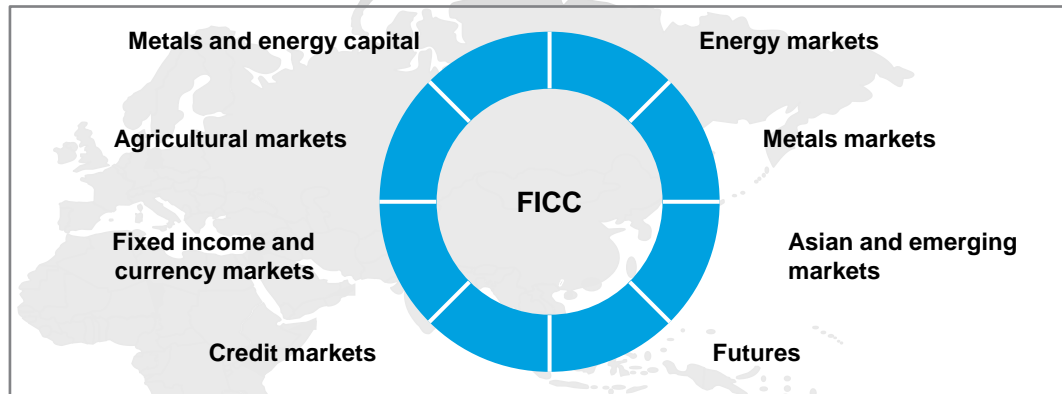
# About Macquarie

## Fixed Income, Currencies and Commodities



### A portfolio of businesses across Commodity and Financial markets

- Global fixed income, currencies and commodities provider of finance, risk solutions and market access to producers/consumers and financial institutions/investors
- Growing presence in physical commodities (natural gas, LNG, NGLs, power, oil, coal, base metals, iron ore, sugar and freight)
- Predominant in US and Australia, niche offering in Canada and Latin America, growing presence in Asia and EMEA
- Key specialties: commodities, Asian and emerging markets, high yield and distressed debt



**Global** physical and financial commodity markets + primary and secondary financial markets

**30+ years**  
in Metals and Futures markets

**20+ years**  
in Agricultural and FX markets

**10+ years**  
in Energy markets

**No.4** physical gas marketer in North America<sup>1</sup>

1. Platts, Q1 CY14. Ranking maintained since 2010.

# Long standing conservative risk management



- Macquarie's risk management principles have remained largely stable over 30 years and served the Group well over the past few years
- The key aspects of Macquarie's risk management approach are:

<b>Ownership of risk at the business level</b>	<b>Understanding worst case outcomes</b>	<b>Requirement for independent sign-off by Risk Management</b>
<p>Business heads responsible for identifying risks within their businesses and ensuring these are managed appropriately.</p> <p>Seek a clear analysis of the risks before taking decisions.</p>	<p>Risk management approach based on examining the consequences of worst case outcomes and determining whether risks can be tolerated.</p> <p>Adopted for all material risk types and often achieved by stress testing.</p>	<p>Risk Management Group (RMG) signs off all material risk acceptance decisions.</p> <p>For material proposals, RMG opinion sought at the early stage in decision making process, and independent input from RMG on risk and return is included in the approval document submitted to senior management.</p>

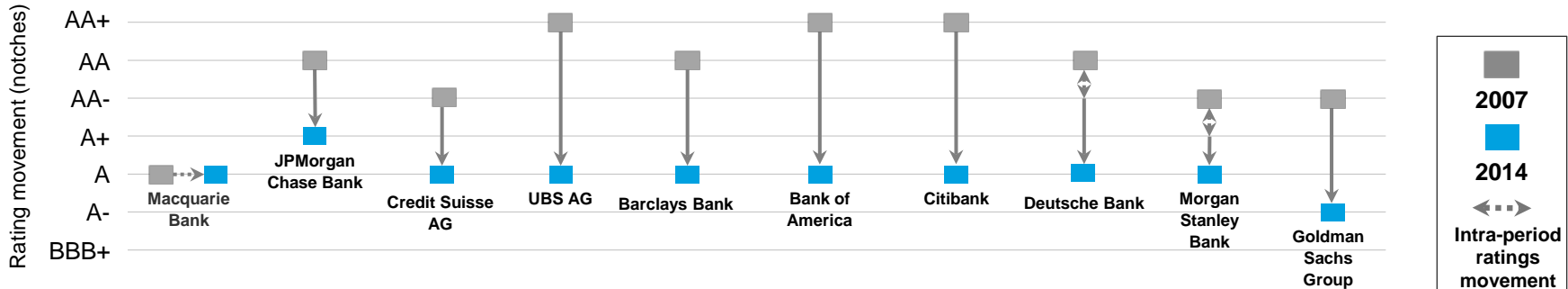
- Macquarie's approach to risk is supported by the Risk Management Group
- Macquarie determines aggregate risk appetite by assessing risk relative to earnings, more than by reference to capital



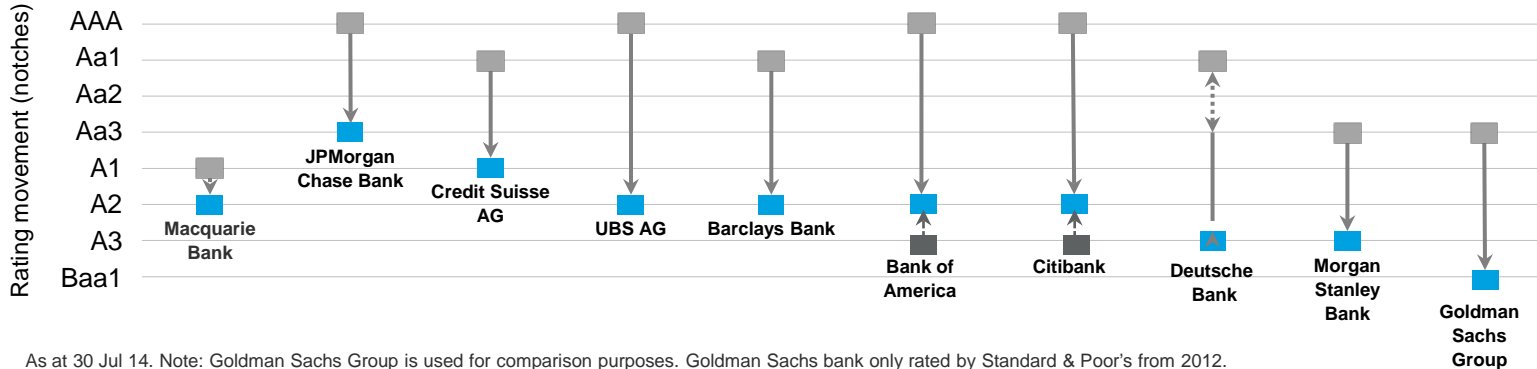
# MBL long term ratings stability



## Standard & Poor's Ratings Movements from 1 May 2007



## Moody's Ratings Movements from 1 May 2007



MBL has maintained its S&P 'A' rating for **23 YEARS**

As at 30 Jul 14. Note: Goldman Sachs Group is used for comparison purposes. Goldman Sachs bank only rated by Standard & Poor's from 2012.



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# 02

1Q15 Update

Presentation to Investors and Analysts September 2014



# 1Q15 Macquarie Update



- 1Q15 operating groups' contribution<sup>1</sup> down on pcp (1Q14) and prior quarter (4Q14)
- Annuity-style businesses<sup>2</sup> broadly in line with both the pcp and prior quarter
- Capital markets facing businesses<sup>3</sup> down on pcp and prior quarter due to the timing of transactions and lower volatility and volumes impacting Macquarie Securities and certain FICC businesses
- No significant one-off items

# Annuity-Style Businesses

## 1Q15 Update



### Macquarie Funds Group

- AUM decreased 4.6% to \$A405.1b in 1Q15, predominantly driven by the partial transfer of Delaware Equities Focus Global Growth assets on completion of the Jackson Square Partners joint venture
- 1Q15 performance fees of \$A27m, predominantly from Macquarie Atlas Roads and Macquarie Infrastructure Company
- MIRA completed 7 acquisitions and 3 follow-on investments in 6 countries
- MIM awarded 7 new institutional mandates across 5 strategies in 5 countries and awarded its first RQFII quota, RMB1b, to invest in the evolving China A-share market
- Macquarie Specialised Investment Solutions raised over \$A500m for Australian capital protected investments and specialist funds
- Received a discretionary investment management license that allows MIM and MIRA to do direct business with Japanese pension funds<sup>1</sup>

### Corporate and Asset Finance

- Asset and loan portfolio of \$A26.1b, up \$A0.6b in 1Q15, due to new acquisitions and financings, partially offset by early repayments and disposals
- Portfolio additions of \$A1.0b in corporate and real estate lending across new primary financings and secondary market acquisitions
- Strong securitisation activity continues with a further \$A1.0b of motor vehicle leases and loans securitised during 1Q15
- Activity remains high with growth in most asset finance portfolios

### Banking and Financial Services

- Signed agreement as credit card issuing partner for Woolworths Everyday Money and Woolworths Qantas Credit Cards
- Retail deposits up 4% in 1Q15 to \$A34.7b
- Wrap platform FUA \$A38.5b
- Australian mortgage portfolio up 9% in 1Q15 to \$A18.5b
- Average Business Banking deposit volumes and loan volumes up 14% and 8% respectively in 1Q15
- Macquarie topped three categories in the SMSF Awards 2014 - Term Deposit Provider, Investment Platform Provider and Loan Provider<sup>2</sup>

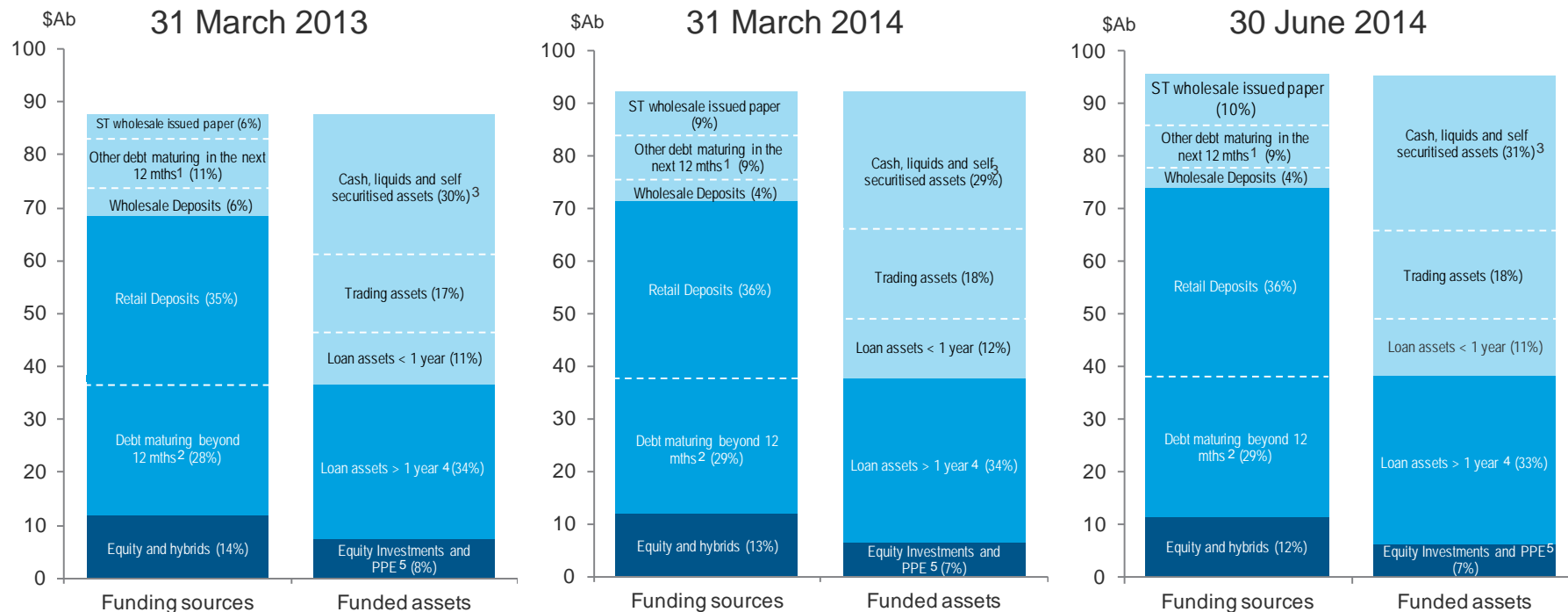
# Capital Markets Facing Businesses

## 1Q15 Update



<b>Macquarie Securities Group</b>	<ul style="list-style-type: none"><li>• Market conditions were characterised by low volatility and reduced secondary market volumes and client activity, particularly in Asia</li><li>• Strong Australian ECM activity; No.1 for completed ECM deals in ANZ<sup>1</sup></li><li>• Retail equity structured products business closed in Asia and ceased issuing new warrants in Australia</li><li>• MSG continues to be a warrants issuer and market maker in Singapore (No.1 market share<sup>2</sup>), Thailand (No.2 market share<sup>2</sup>) and Hong Kong (No.6 market share<sup>3</sup>)</li></ul>
<b>Macquarie Capital</b>	<ul style="list-style-type: none"><li>• Global M&amp;A levels recovering off a weak base</li><li>• 106 deals at \$A18b, up 13% on pcp, and down 46% on prior period (by value) mainly due to the timing of transactions</li><li>• IPO volumes driving ECM activity</li><li>• No.1 in ANZ for announced M&amp;A deals<sup>4</sup> and IPOs<sup>5</sup></li><li>• Best M&amp;A House Australia 2014<sup>6</sup> and Best Domestic Equity House Australia 2014<sup>7</sup></li></ul>
<b>Fixed Income, Currencies and Commodities</b>	<ul style="list-style-type: none"><li>• Mixed commodity markets as low volatility and prices in Precious Metals dampened client hedging activity</li><li>• Increased client activity and trading opportunities in Base Metals and EMEA Gas and Power</li><li>• Credit markets were mixed across geographies with opportunities in EMEA securitisation but generally subdued conditions in the US</li><li>• Lower volatility and volumes in foreign exchange and futures markets</li><li>• Established a Wholly Foreign Owned Enterprise (WFOE) in the Shanghai Free Trade Zone in China</li><li>• Maintained ranking as No.4 US physical gas marketer in North America<sup>8</sup></li><li>• No.2 overall market share in ASX24 Futures<sup>9</sup></li></ul>

# Funded balance sheet remains strong

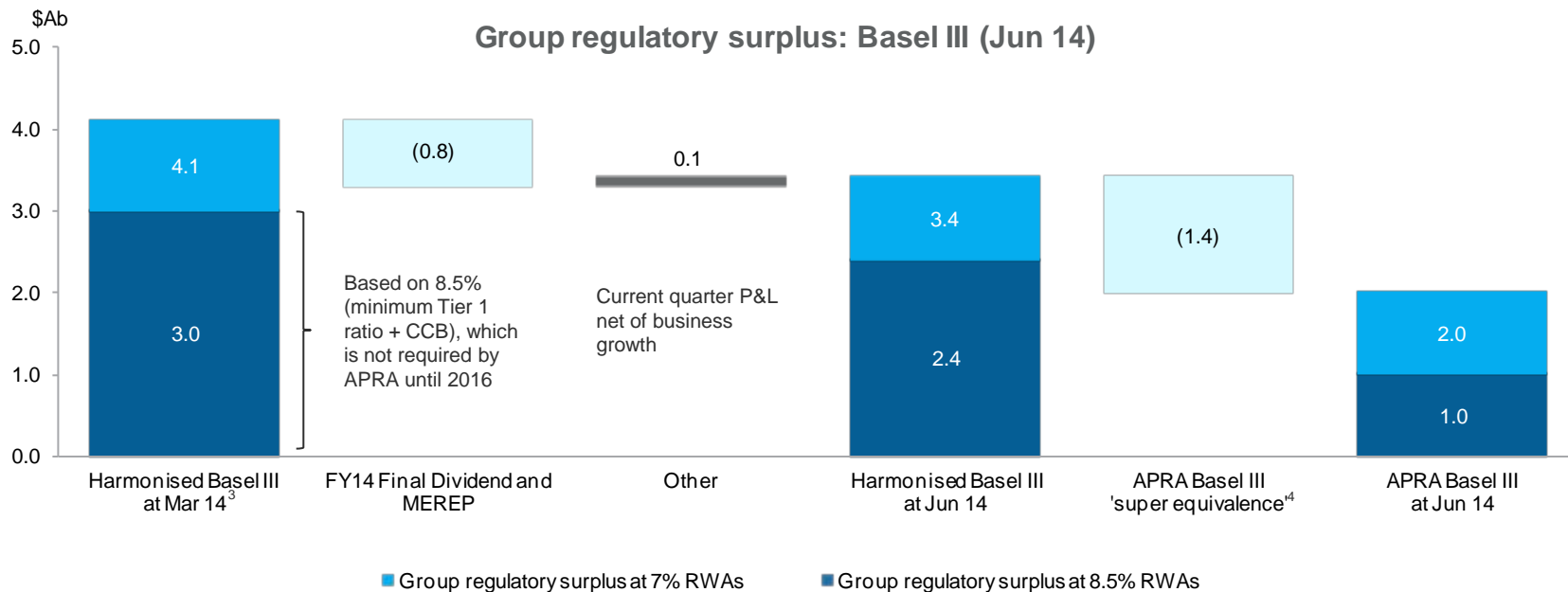


These charts represent MGL's funded balance sheets at the respective dates noted above. For details regarding reconciliation of the funded balance sheet to the Group's statutory balance sheet. 1. 'Other debt maturing in the next 12 mths' includes Structured Notes, Secured Funding, Bonds, Other Loans maturing within the next 12 months and Net Trade Creditors. 2. 'Debt maturing beyond 12 mths' includes Loan Capital. 3. 'Cash, liquids and self securitised assets' includes self securitisation of repo eligible Australian mortgages originated by Macquarie. 4. 'Loan Assets > 1 yr' includes Debt Investment Securities and Operating Lease Assets. 5. 'Equity Investments and PPE' includes the Group's co-investments in Macquarie-managed funds and equity investments.

# Basel III capital position



- APRA Basel III Group capital of \$A12.4b, Group surplus of \$A2.0b<sup>1</sup> down on Mar 14 surplus of \$A2.7b
- Strong Bank Group APRA Basel III CET1 ratio – Common Equity Tier 1: 9.5%; Tier 1: 10.5%<sup>2</sup>



1. Calculated at 7% RWAs. 2. Bank Group Harmonised Basel III ratios – Common Equity Tier 1: 11.5%; Tier 1: 12.4%. 3. 'Harmonised' Basel III estimates assume alignment with BIS in areas where APRA differs from the BIS. 4. APRA Basel III 'super-equivalence' includes full CET1 deductions of equity investments (\$A0.6b); deconsolidated subsidiaries (\$A0.4b); DTAs and other impacts (\$A0.4b).



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# 03

Outlook

Presentation to Investors and Analysts September 2014





# Short term outlook



- Summarised below are the outlook statements for each Operating Group
- FY15 results will vary with market conditions, particularly the capital markets facing businesses

Operating Group	Net profit contribution			FY15 outlook as announced at AGM July 2014	Update to FY15 outlook
	FY07–FY14 historical range	FY07–FY14 average	FY14		
<b>Macquarie Funds</b>	\$A0.3b – \$A1.1b	\$A0.7b	\$A1.1b	Broadly in line with FY14, subject to performance fees	Up on FY14
<b>Corporate and Asset Finance</b>	\$A0.1b – \$A0.8b <sup>1</sup>	\$A0.4b	\$A0.8b	Broadly in line with FY14	No change
<b>Banking and Financial Services</b>	\$A0.1b – \$A0.3b <sup>2,3</sup>	\$A0.2b <sup>3</sup>	\$A0.3b <sup>3</sup>	Up on FY14	No change
<b>Macquarie Securities</b>	\$A(0.2)b – \$A1.2b	\$A0.4b	\$A0.1b	Down on FY14	No change
<b>Macquarie Capital</b>	\$A(0.1)b – \$A1.6b	\$A0.5b	\$A0.3b	Up on FY14	No change
<b>FICC</b>	\$A0.5b – \$A0.8b	\$A0.6b	\$A0.7b	Broadly in line with FY14	No change
<b>Corporate</b>	<ul style="list-style-type: none"> <li>– Compensation ratio to be consistent with historical levels</li> <li>– Based on present mix of income, currently expect FY15 tax rate to be broadly in line with FY14</li> </ul>				No change

1. Range excludes FY09 provisions for loan losses of \$A135m related to Real Estate Structured Finance loans as this is a restructured business. 2. Range excludes FY09 loss on sale of Italian mortgages of \$A248m as this is a discontinued business. 3. During FY14, Group Treasury revised internal funding transfer pricing arrangements relating to BFS's deposit and lending activities. FY13 comparatives only have been restated to reflect the current methodology.

# Short term outlook



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- While the impact of future market conditions makes forecasting difficult, we continue to expect that the FY15 combined net profit contribution<sup>1</sup> from operating groups will be up on FY14, offsetting the FY14 realised gain relating to the SYD distribution
- The FY15 tax rate is currently expected to be broadly in line with FY14
- Accordingly, the FY15 result for the Group is currently expected to be slightly up on FY14
  - Given the timing of transactions, the 1H15 result is currently expected to be up approx. 25-30% on 1H14 and down on 2H14, subject to the level of performance fees and the conduct of period end reviews
  - Consequently, it is expected that the 2H15 result will only be moderately up on 1H15
- Our short term outlook remains subject to a range of challenges including:
  - Market conditions
  - The impact of foreign exchange
  - The cost of our continued conservative approach to funding and capital
  - Potential regulatory changes and tax uncertainties

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

# Medium term



- Macquarie remains well positioned to deliver superior performance in the medium term
- Deep expertise in major markets
- Build on our strength in diversity and continue to adapt our portfolio mix to changing market conditions
  - Annuity-style income is provided by three significant businesses which are delivering superior returns following years of investment and recent acquisitions
    - Macquarie Funds, Corporate and Asset Finance and Banking and Financial Services
  - Three capital markets facing businesses well positioned to benefit from improvements in market conditions with strong platforms and franchise positions
    - Macquarie Securities, Macquarie Capital and Fixed Income, Currencies and Commodities
- Ongoing benefits of continued cost initiatives
- Strong and conservative balance sheet
  - Well matched funding profile with minimal reliance on short term wholesale funding
  - Surplus funding and capital available to support growth
- Proven risk management framework and culture



# Approximate business Basel III Capital & RoE

Operating Group	APRA Basel III Capital <sup>1</sup> @ 8.5% (\$Ab)	Approx. FY14 Return on Ordinary Equity <sup>2</sup>	
<b>Annuity-style businesses</b>	<b>5.8</b>		<b>Approx. 8-Year Average Return on Ordinary Equity<sup>2</sup></b>
Macquarie Funds Group	1.9	20% <sup>3</sup>	20% <sup>4</sup>
Corporate and Asset Finance	2.6		
Banking and Financial Services	1.3		
<b>Capital markets facing businesses</b>	<b>4.3</b>		<b>Approx. 8-Year Average Return on Ordinary Equity<sup>2</sup></b>
Macquarie Securities	0.5	11%	15%-20%
Macquarie Capital	1.2		
FICC	2.6		
<b>Corporate and Other</b>	<b>1.0</b>		
Legacy Assets	0.3		
Corporate	0.7		
Total regulatory capital requirement @ 8.5%	11.1		
Comprising: Ordinary Equity	9.4		
Hybrid	1.7		
Add: Surplus Ordinary Equity	1.8		
<b>Total APRA Basel III capital supply</b>	<b>12.9</b>		

As at 31 Mar 14.

1. Business Group capital allocation as at 31 Dec 13. 2. NPAT used in the calculation of approx. annualised ROE is based on Operating Group's net profit contribution adjusted for indicative allocations of profit share, tax and other corporate expenses. Accounting equity is attributed to businesses based on regulatory capital requirements. 8-year average covers FY07 to FY14, inclusively. 3. During 1H14, Group Treasury revised internal funding transfer pricing arrangements relating to Banking and Financial Services' deposit and lending activities. 4. CAF excluded from 8-year average as not meaningful given the significant increase in scale of CAF's platform over the 8-year period.



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# 04

Appendix 1 - FY14 Financial Summary  
Presentation to Investors and Analysts September 2014



# 2H14 Result

## \$A764m



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- Net profit \$A764m, up 52% on 1H14 and up 56% on 2H13
- Operating income \$A4.5b, up 21% on 1H14 and up 24% on 2H13
- As foreshadowed:
  - Macquarie’s annuity-style businesses (Macquarie Funds, Corporate and Asset Finance, and Banking and Financial Services) continued to perform well with combined net profit contribution<sup>1</sup> up 12% on 1H14 and up 29% on 2H13
  - Macquarie’s capital markets facing businesses (Macquarie Securities, Macquarie Capital, and Fixed Income, Currencies and Commodities) delivered a significantly improved result with combined net profit contribution up 97% on 1H14 and up 48% on 2H13
- Gain on SYD distribution of \$A228m recognised in 2H14
- Operating expenses \$A3.2b, up 10% on 1H14 and up 16% on 2H13
- Effective tax rate 40.5%, up from 38.0% at 1H14 and down from 43.5% in 2H13
- EPS \$A2.35, up 57% on 1H14 and up 61% on 2H13
- Return on equity 13.5%, up from 8.7% in 1H14 and 8.9% in 2H13
- 2H14 ordinary dividend of \$A1.60 (40% franked), up on 1H14 ordinary dividend of \$A1.00 (40% franked) and up on 2H13 ordinary dividend of \$A1.25 (40% franked)
  - In addition, eligible shareholders benefited from the SYD distribution in Jan 14 which comprised a special dividend of \$A1.16 (40% franked) and a return of capital of \$A2.57 per share<sup>2</sup>

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

2. Prior to the Consolidation (as defined in the Explanatory Memorandum for the General Meeting held on 12 Dec 13) of 1 MQG share into 0.9438 of a MQG share.

# FY14 Result

## \$A1,265m



MACQUARIE

- Net profit \$A1,265m, up \$A414m (or 49%) on FY13
- Operating income \$A8.1b, up \$A1.5b (or 22%) on FY13
- As foreshadowed:
  - Macquarie’s annuity-style businesses (Macquarie Funds, Corporate and Asset Finance, and Banking and Financial Services) continued to perform well with FY14 combined net profit contribution up \$A445m (or 26%) on FY13
  - Macquarie’s capital markets facing businesses (Macquarie Securities, Macquarie Capital, and Fixed Income, Currencies and Commodities) delivered a significantly improved result with FY14 combined net profit contribution up \$A450m (or 68%) on FY13
- Operating expenses \$A6.0b, up \$A774m (or 15%) on FY13
  - Employment expenses<sup>1</sup> \$A3.7b, up \$A463m (or 14%) on FY13
- Increase in the effective tax rate to 39.5% from 38.5% in FY13
- EPS \$A3.84, up 53% on FY13
- Return on equity 11.1%, up from 7.8% in FY13
- Full year ordinary dividend of \$A2.60, up 30% on FY13 full year ordinary dividend of \$A2.00
  - In addition, eligible shareholders benefited from the SYD distribution in Jan 14 which comprised a special dividend of \$A1.16 (40% franked) and a return of capital of \$A2.57 per share<sup>2</sup>

1. Incorporates non-compensation employment expenses including on-costs, staff procurement and staff training.

2. Prior to the Consolidation (as defined in the Explanatory Memorandum for the General Meeting held on 12 Dec 13) of 1 MQG share into 0.9438 of a MQG share.

# FY14 Result



MACQUARIE

Net operating income
Total operating expenses
<b>Operating profit before income tax</b>
Income tax expense
Profit attributable to non-controlling interests
<b>Profit attributable to MGL shareholders</b>

2H14 \$Am	1H14 \$Am
4,453	3,679
(3,157)	(2,869)
<b>1,296</b>	<b>810</b>
(520)	(307)
(12)	(2)
<b>764</b>	<b>501</b>

FY14 \$Am	FY13 \$Am
8,132	6,657
(6,026)	(5,252)
<b>2,106</b>	<b>1,405</b>
(827)	(533)
(14)	(21)
<b>1,265</b>	<b>851</b>

FY14 v FY13
↑ 22%
↑ 15%
↑ 50%
↑ 55%
↑ 49%



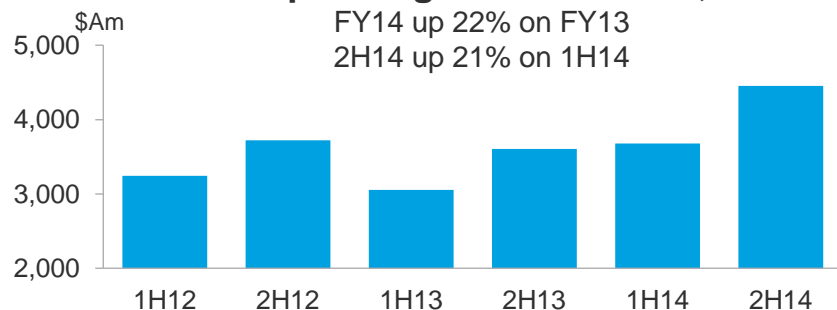
# FY14 Result

## Financial performance

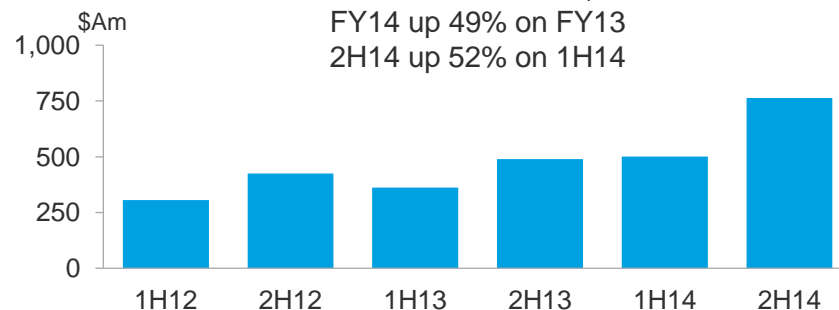


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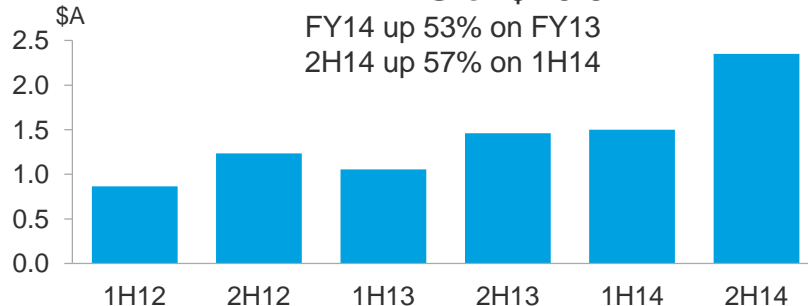
### FY14 Operating income of \$A8,132m



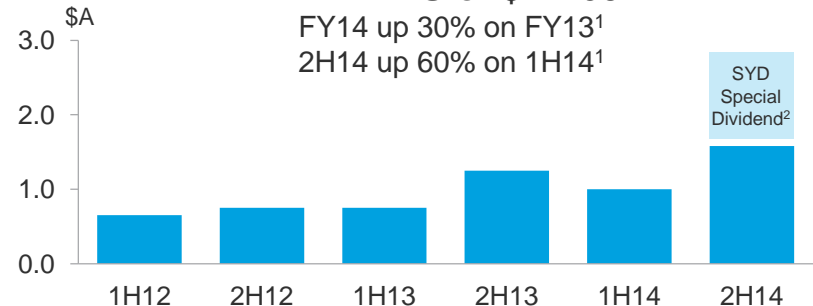
### FY14 Profit of \$A1,265m



### FY14 EPS of \$A3.84



### FY14 DPS of \$A2.60<sup>1</sup>



1. Excludes special dividend of \$A1.16 from the SYD distribution.

2. Excludes return of capital component from the SYD distribution of \$A2.57 per share.

# FY14 Diversified by region

International income 68% of total income<sup>1</sup>

Total staff 13,913; International staff 53% of total



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## Europe, Middle East & Africa<sup>2</sup>

Income: \$A1,574m (20% of total)  
Staff: 1,248



## Asia

Income: \$A1,043m (13% of total)  
Staff: 3,447



## Americas

Income: \$A2,709m (35% of total)  
Staff: 2,685



## Australia<sup>3</sup>

Income: \$A2,456m (32% of total)  
Staff: 6,533

1. Net operating income excluding earnings on capital and other corporate items. As at 31 Mar 14.

2. Excludes staff in Macquarie First South joint venture and staff seconded to Macquarie Renaissance joint venture (Moscow).

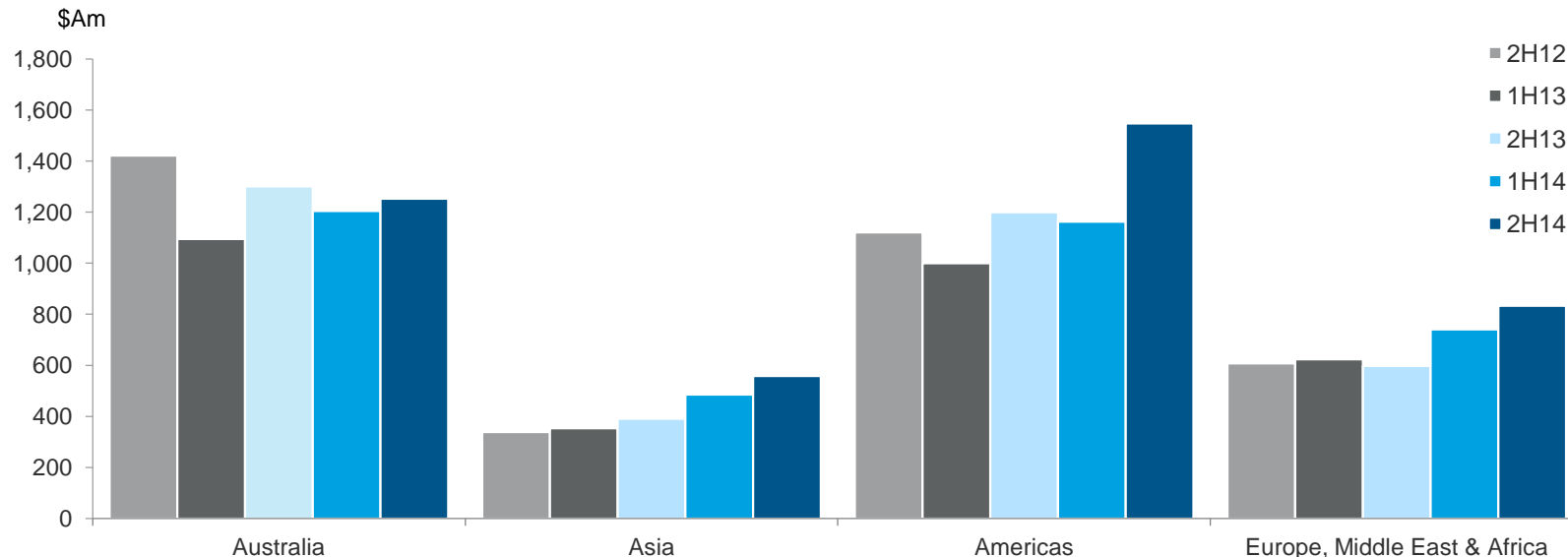
3. Includes New Zealand.

# FY14 Diversified income

## Net operating income by region



- 68% of operating income<sup>1</sup> in FY14 was generated offshore
- FX movements estimated to have approx. 7% favourable impact on the FY14 result compared to FY13



# 31 March 2014

## Strong funding and balance sheet position



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- Diverse and stable funding base, minimal reliance on short term wholesale funding markets
- Surplus funding capacity continues to be deployed
- Retail deposits<sup>1</sup> continuing to grow, up 7% to \$A33.3b at Mar 14 from \$A31.0b at Mar 13
- \$A17.4b of new term funding raised since Mar 13

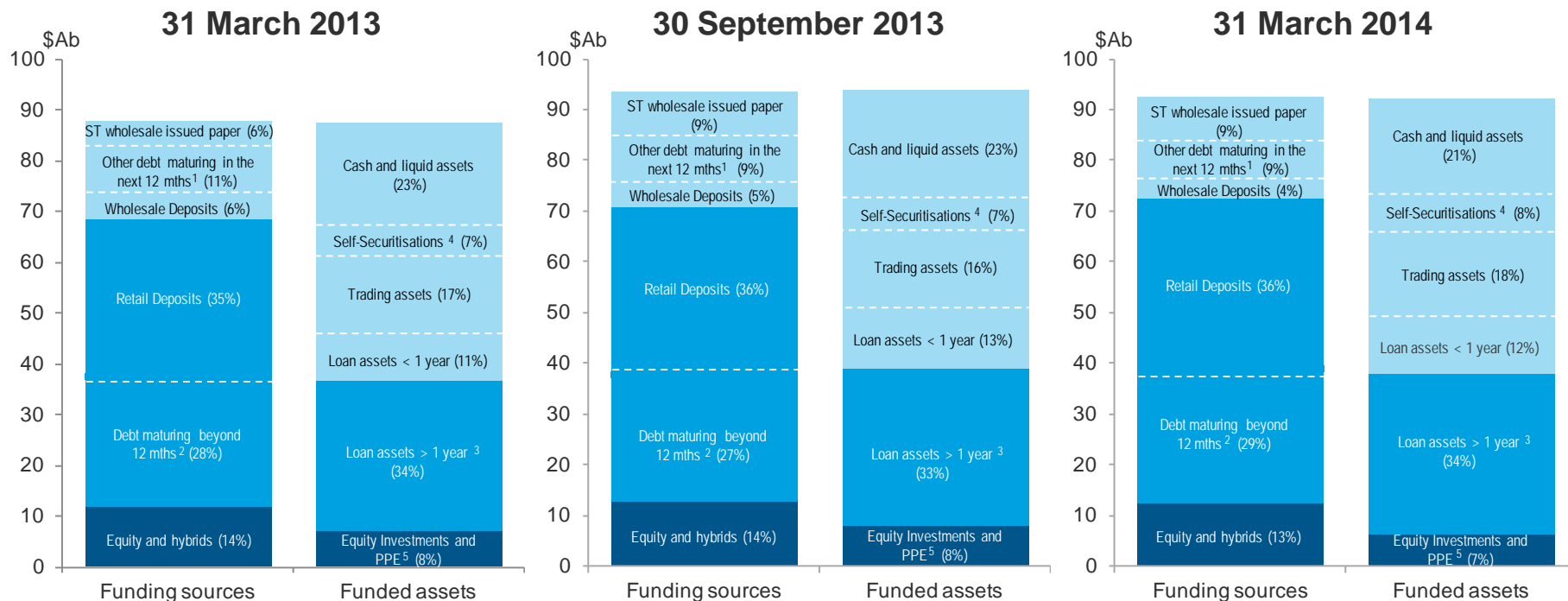
1. Retail deposits are a subset of total deposits per the funded balance sheet (\$A36.9b at 31 Mar 14), which differs from total deposits per the statutory balance sheet (\$A42.4b at 31 Mar 14). The funded balance sheet excludes any deposits which do not represent a funding source for the Group.

# 31 March 2014

## Funded balance sheet remains strong



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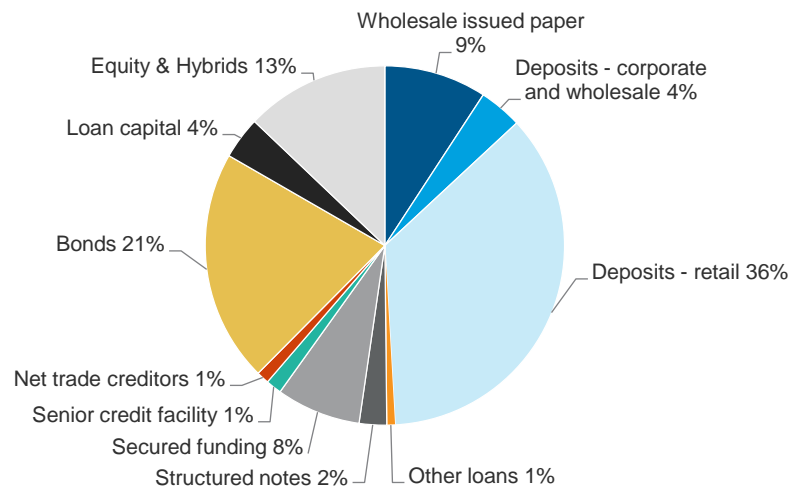
These charts represent MGL's funded balance sheets at the respective dates noted above. For details regarding reconciliation of the funded balance sheet to the Group's statutory balance sheet. 1. 'Other debt maturing in the next 12 mths' includes Structured Notes, Secured Funding, Bonds, Other Loans maturing within the next 12 months and Net Trade Creditors. 2. 'Debt maturing beyond 12 mths' includes Loan Capital. 3. 'Loan Assets > 1 yr' includes Debt Investment Securities, and Operating Lease Assets. 4. 'Self-Securitisations' includes repo eligible Australian mortgages originated by Macquarie. 5. 'Equity Investments and PPE' includes the Group's co-investments in Macquarie-managed funds and equity investments.

# 31 March 2014

## Well diversified funding sources

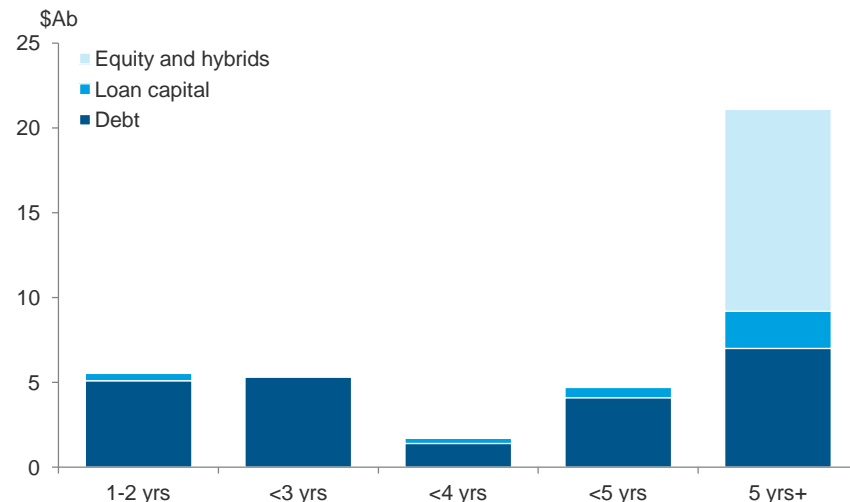


Diversity of MGL funding sources



- Well diversified funding sources
- Minimal reliance on short term wholesale funding markets
- Deposit base represents 40% of total funding sources

MGL term funding (drawn and undrawn<sup>1</sup>) maturing beyond one year (including equity and hybrids)



- Term funding beyond one year (excluding equity) has a weighted average term to maturity of 4.5 years

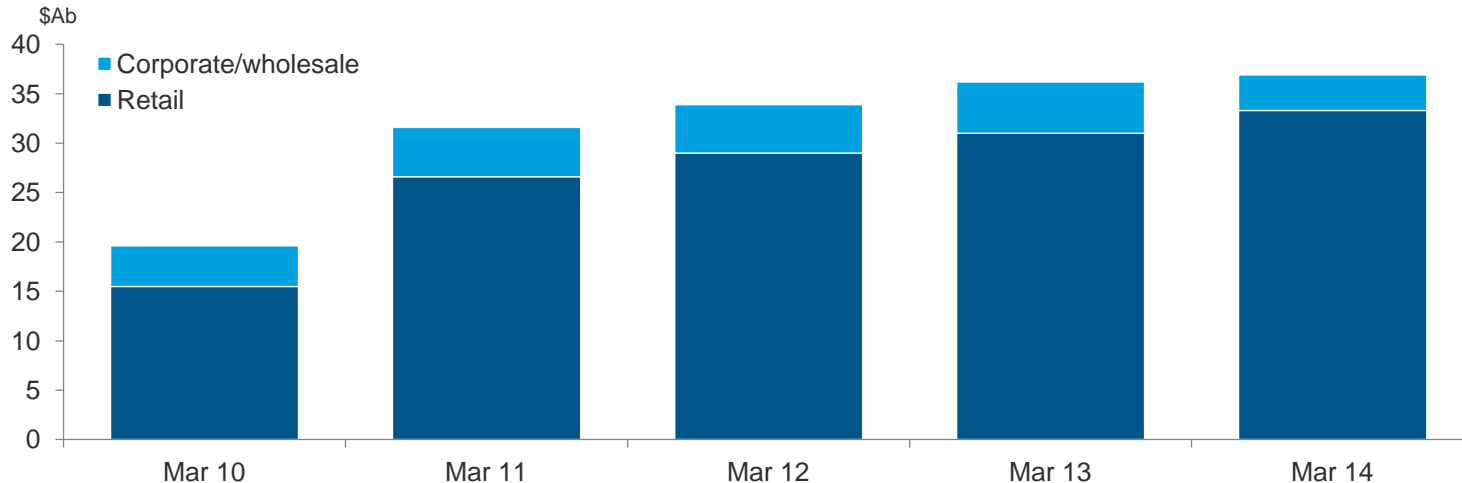
# 31 March 2014

## Continued retail deposit<sup>1</sup> growth



MACQUARIE

- Macquarie has been successful in pursuing its strategy of diversifying its funding sources through growing its deposit base
  - 1 million Australian retail clients, of whom more than 643,000 are depositors
  - Focus on the composition and quality of the deposit base
  - Continue to grow deposits in the CMA product which has an average balance of \$A40k



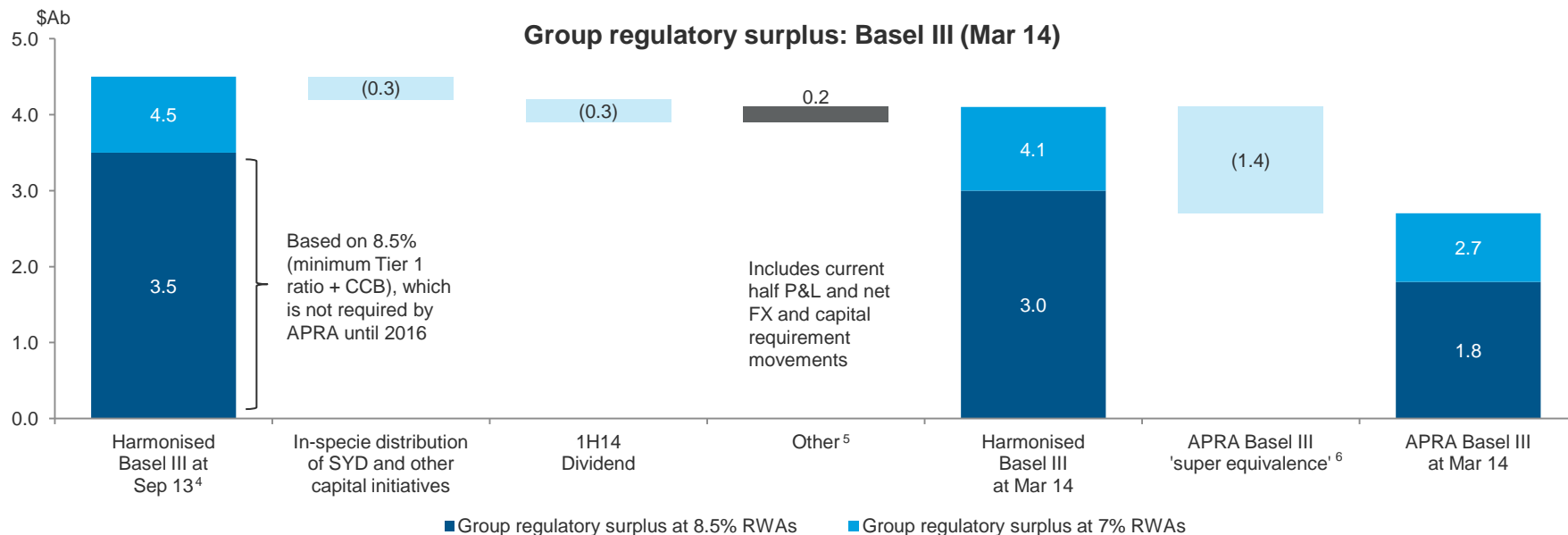
1. Retail deposits are those placed with the Banking and Financial Services Group and includes products such as the Cash Management Account, Term Deposits and Business Banking deposits. Retail counterparties primarily consist of individuals, self-managed super funds and small-medium enterprises.

# 31 March 2014

## Basel III capital position



- APRA Basel III Group capital of \$A12.9b, Group surplus of \$A2.7b<sup>1</sup> slightly down on Sep 13 surplus of \$A2.8b<sup>2</sup>
- Strong Bank Group APRA Basel III CET1 ratio – Common Equity Tier 1: 9.6%; Tier 1: 10.6%<sup>3</sup>



1. Calculated at 7% RWA. 2. Pro forma APRA Basel III post SYD distribution and other capital initiatives. 3. Bank Group Harmonised Basel III ratios – Common Equity Tier 1: 11.4%; Tier 1: 12.4%. 4. 'Harmonised' Basel III estimates assume alignment with BIS in areas where APRA differs from the BIS. 5. Includes the net impact of hedging employed to reduce the sensitivity of the Group's capital position to FX translation movements. 6. APRA Basel III 'super-equivalence' includes full CET1 deductions of equity investments (\$A0.6b); deconsolidated subsidiaries (\$A0.5b); DTAs and other impacts (\$A0.3b).



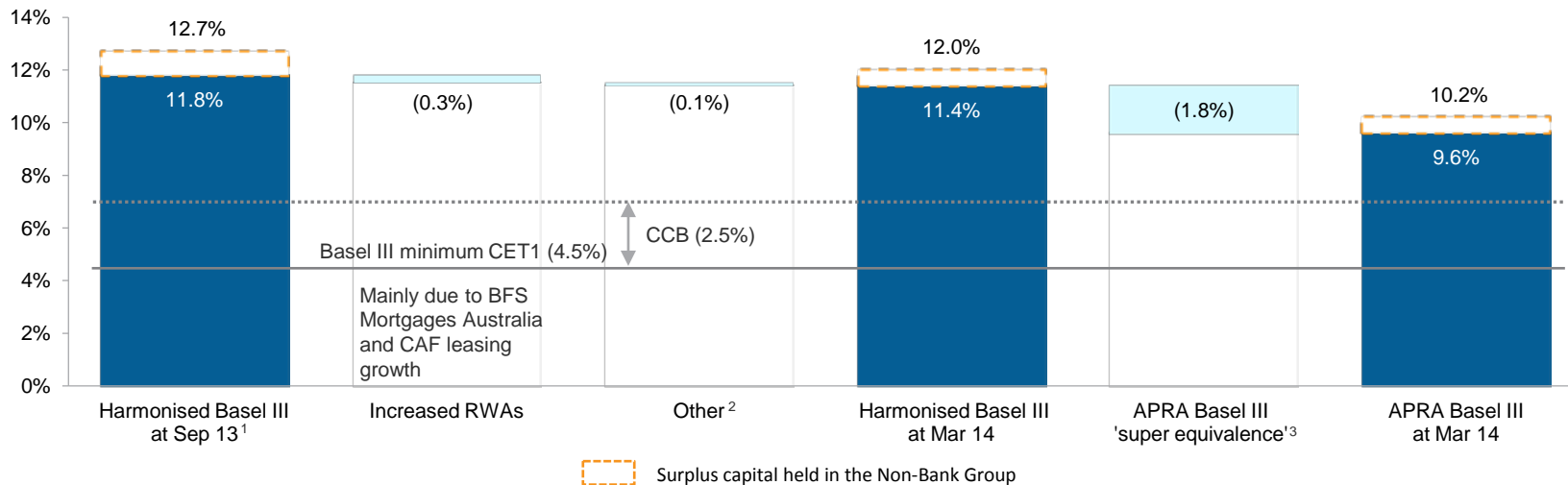
# 31 March 2014 Bank Group Basel III Common Equity Tier 1 (CET1) Ratio



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- Strong Bank Group APRA Basel III CET1 ratio – Common Equity Tier 1: 9.6%; Tier 1: 10.6%
- Basel III applies only to the Bank Group and not the Non-Bank Group

**Bank Group Common Equity Tier 1 (CET1) Ratio: Basel III (Mar 14)**



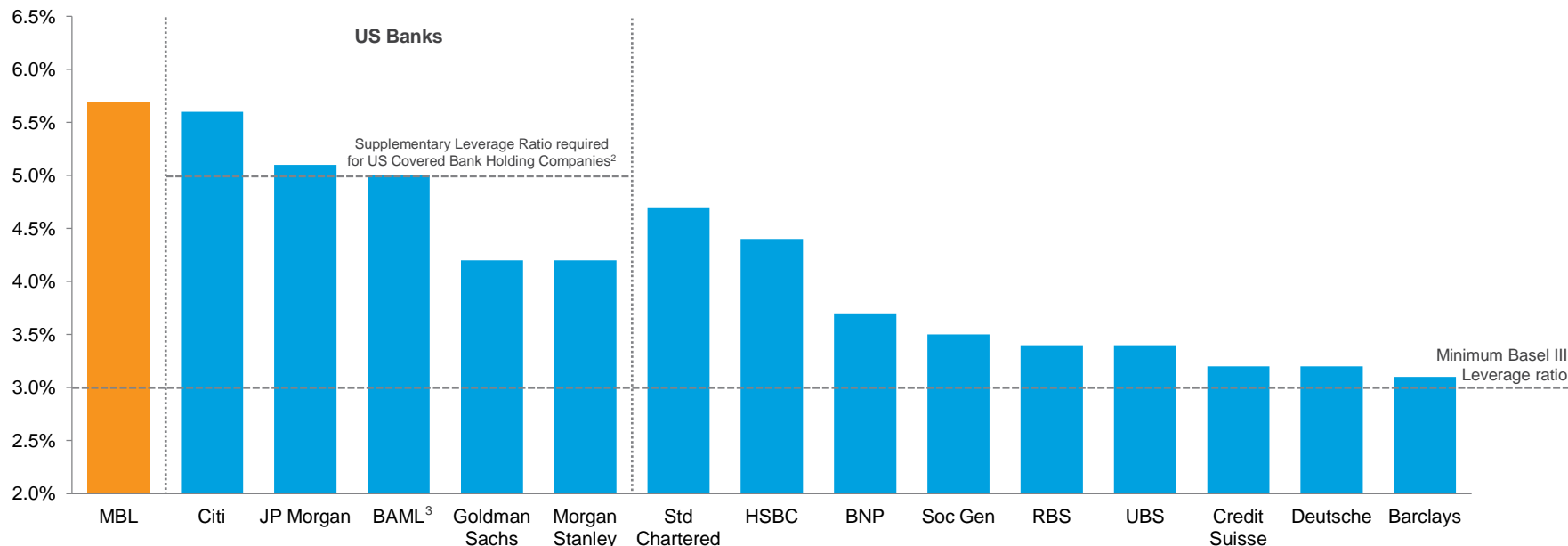
1. 'Harmonised' Basel III figures assume alignment with BIS in areas where APRA differs from the BIS. APRA Basel III CET1 ratio at Sep 13 – Bank Group: 9.8%; Bank Group including Non-Bank Group surplus: 10.8%. 2. Includes MBL 2H14 P&L less dividends paid from MBL to MGL as well as other movements in capital supply and requirements (including MBL capital initiatives relating to the SYD distribution). 3. APRA Basel III 'super-equivalence' includes full CET1 deductions of equity investments (0.7%); deconsolidated subsidiaries (0.6%); DTAs and other impacts (0.5%).

# 31 March 2014

## Basel III leverage ratio peer comparison



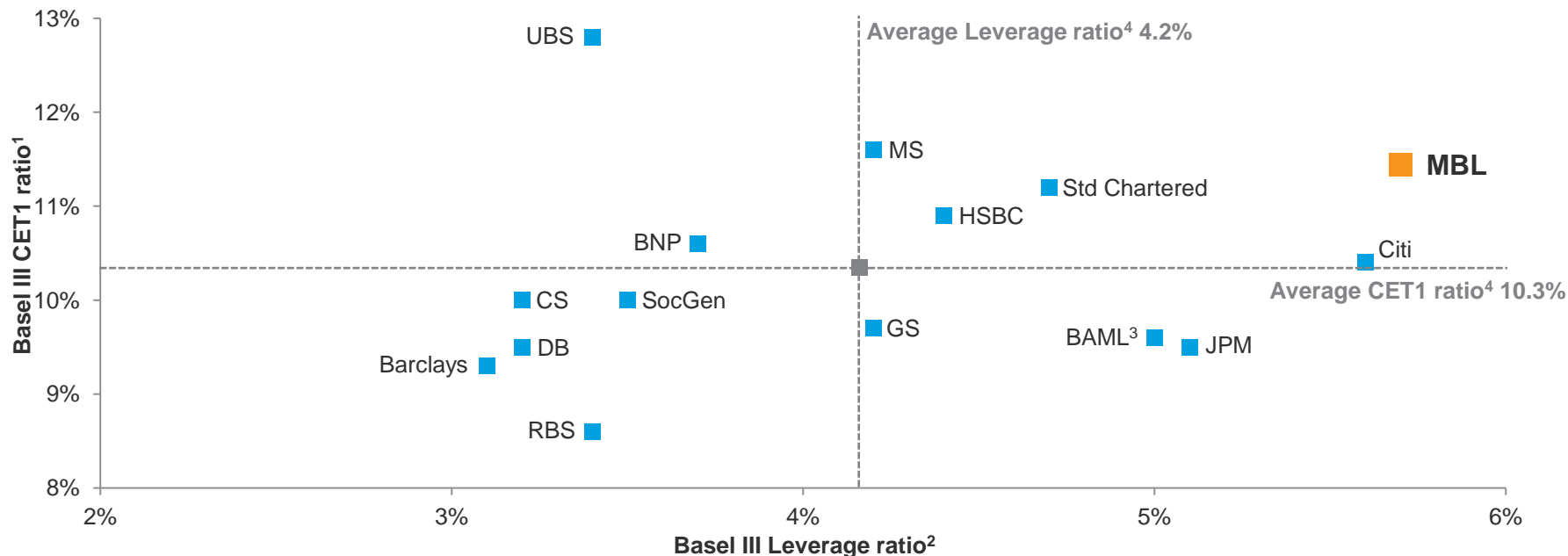
### Basel III Tier 1 Leverage Ratio<sup>1</sup>



1. Peer leverage ratios from most recent public disclosures as at date of compilation (30 Apr 14). MBL ratio as at Mar 14. MBL and RBS ratios are calculated per the Jan 14 Basel Committee on Banking Supervision (BCBS) finalised leverage ratio definition. Citi Mar 14 leverage ratio is calculated as per the Jul 13 Final US Basel III rules, which is based on the Dec 10 BCBS framework. JP Morgan, BAML, Goldman Sachs and Morgan Stanley ratios reflect the U.S. Federal Bank regulatory agencies' NPR issued on 8 Apr 14, which is based on the Jan 14 BCBS framework. Std Chartered and HSBC ratios are disclosed on an end-point PRA prescribed basis, which is based on the Dec 10 BCBS framework. BNP, Soc Gen, Barclays and Deutsche ratios are disclosed per the CRD IV fully-loaded leverage ratio, which is based on the Dec 10 BCBS framework. UBS ratio disclosed under the Swiss Systemically Relevant Bank (SRB) Basel III rules (fully applied). Credit Suisse ratio disclosed on a Basel III Tier 1 basis. 2. In Apr 14, the US banking agencies adopted higher leverage ratio requirements for the eight US bank holding companies that have been identified as G-SIBs. 3. BAML disclosures indicated a leverage ratio of '>5%', which has been represented as 5.0%.

# 31 March 2014

## Strength across both regulatory capital metrics



1. Peer CET1 ratios on a 'fully-loaded' basis sourced from most recent public disclosures as at date of compilation (30 Apr 14). MBL CET1 ratio as at Mar 14, UBS and Credit Suisse CET1 ratios calculated under a 'harmonised' Basel III basis. US Bank CET1 ratios calculated under the 'Advanced' approach per Final US Basel III rules. EU Bank CET1 ratios disclosed under a CRD IV 'fully-loaded' basis. 2. Peer leverage ratios sourced from most recent public disclosures as at date of compilation (30 Apr 14). MBL leverage ratio as at Mar 14. MBL and RBS leverage ratios are calculated per the Jan 14 Basel Committee on Banking Supervision (BCBS) finalised leverage ratio definition. Citi Mar 14 leverage ratio is calculated as per the Jul 13 Final US Basel III rules. JP Morgan, BAML, Goldman Sachs and Morgan Stanley leverage ratios reflect the U.S. Federal Bank regulatory agencies' NPR issued on 8 Apr 14. Std Chartered and HSBC leverage ratios are disclosed on an end-point PRA prescribed basis. BNP, Soc Gen, Barclays and Deutsche ratios are disclosed per the CRD IV 'fully-loaded' leverage ratio. UBS leverage ratio disclosed under the Swiss Systemically Relevant Bank (SRB) Basel III rules (fully applied). Credit Suisse leverage ratio disclosed on a Basel III Tier 1 basis. 3. BAML disclosures indicated a leverage ratio of '>5%', which has been represented as 5.0%. 4. Average CET1 and Leverage ratios calculated on the sample shown.

# 31 March 2014

## Loan portfolio<sup>1</sup> growth – Funded Balance Sheet



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Category	Mar 14 \$Ab	Mar 13 \$Ab
<b>Mortgages:</b>		
Australia	10.5	7.2
United States	0.5	0.7
Canada	5.0	6.7
Other	0.2	0.2
<b>Total mortgages</b>	<b>16.2</b>	<b>14.8</b>
Structured investments	3.8	3.6
Banking	4.2	3.6
Real Estate	2.3	2.3
Resources and commodities	2.4	2.3
Finance leases	5.0	4.2
Corporate lending	6.2	5.6
Other lending	1.4	1.4
	<b>41.5</b>	<b>37.8</b>
Operating leases	5.7	5.1
<b>Total loan assets per funded balance sheet<sup>2</sup></b>	<b>47.2</b>	<b>42.9</b>

1. Loan assets are reported on a funded balance sheet basis and therefore exclude certain items such as assets that are funded by third parties with no recourse to Macquarie. In addition, loan assets at amortised cost per the statutory balance sheet of \$A58.7b at 31 Mar 14 (\$A50.8b at 31 Mar 13) are adjusted to include fundable assets not classified as loans on a statutory basis (e.g. assets subject to operating leases which are recorded in Property, Plant and Equipment in the statutory balance sheet). 2. Total loan assets per funded balance sheet includes self securitisation assets.

# 31 March 2014

## Equity investments of \$A4.2b<sup>1</sup>



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Category	Carrying value <sup>2</sup> Mar 14 \$Am	Carrying value <sup>2</sup> Mar 13 \$Am	Description
Macquarie Funds (MIRA) managed funds	1,354	1,158	Macquarie European Infrastructure Fund LP, Macquarie Infrastructure Company, Macquarie Atlas Roads, Macquarie SBI Infrastructure Fund, MWREF, Macquarie European Infrastructure Fund 3 LP, Macquarie Mexican REIT
Other Macquarie managed funds	414	302	Includes investments that hedge directors' profit share plan liabilities
Transport, industrial and infrastructure	364	1,558	Decrease due to the SYD distribution
Telcos, IT, media and entertainment	549	646	Over 30 separate investments
Energy, resources and commodities	619	588	Over 100 separate investments
Real estate investment, property and funds management	369	621	Represents property and JV investments/loans. Includes investments in Charter Hall Limited, MGPA Shenton, Core Plus Industrial Fund, Retirement Villages Group R.E Limited and Medallist
Finance, wealth management and exchanges	491	352	Includes investments in fund managers, investment companies, securities exchanges and other corporations in the financial services industry
	<b>4,160</b>	<b>5,225</b>	

1. Equity investments per the statutory balance sheet of \$A5,794m (Mar 13: \$A7,582m) have been adjusted to reflect the total economic exposure to Macquarie. 2. Total funded equity investments of \$A4,656m (Mar 13: \$A5,468m), less available for sale reserves of \$A493m (Mar 13: \$A365m) and associate reserves of \$A20m (Mar 13: \$Anil), plus other assets of \$A17m (Mar 13: \$A122m).



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# 04

Appendix 2 – Enforceable Undertaking  
Presentation to Investors and Analysts September 2014



# Macquarie Private Wealth Enforceable Undertaking update



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## Background

- MPW is primarily a retail broking and equities advice business within Banking and Financial Services
  - 87,000 clients<sup>1</sup> of whom a significant number are high net worth
  - Over 85% of assets under advice relate to equities broking activities<sup>2</sup>
  - Approximately 300 advisers
- As announced to the market on 29 Jan 13, MPW entered into an Enforceable Undertaking (EU) with ASIC which
  - acknowledged ASIC's concerns
  - focussed on effectiveness of compliance, in particular processes, controls and systems previously in place, such as record keeping, monitoring and supervision
  - is available on ASIC's website
- MPW's EU is subject to independent oversight by ASIC and an Independent Expert (KPMG)
- Macquarie takes its regulatory obligations seriously and always seeks to ensure compliance with the requirements of all its regulators

# Macquarie Private Wealth Enforceable Undertaking update



## Implementation to date

- Implementation on track with three out of four phases now complete
- New management team
- Together with implementation of FoFA regulatory changes, significant investment being made in new processes, practices and systems – approx. \$A49m<sup>1</sup> over two years
  - 11,500 hours<sup>2</sup> in face-to-face adviser training so far
- Review of all advisers
- Review of client files where concerns either identified by MPW or raised by clients
  - In addition, contacting all clients ensuring they have the opportunity to raise concerns
- Client remediation approach based on consistent application of Financial Ombudsman Service principles and is subject to oversight by Deloitte and ASIC





MACQUARIE



# 21<sup>st</sup> CLSA Investor Forum

## Grand Hyatt, Hong Kong

Presentation to Investors and Analysts  
16-17 September 2014

**Patrick Upfold**, Chief Financial Officer