



MACQUARIE

Presentation to investors and analysts

Result announcement for the
half-year ended 30 September 2016

28 October 2016





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Unless otherwise specified all information is for the half-year ended 30 September 2016.

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 presentation 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.



MACQUARIE



1

Introduction

Karen Khadi – Head of Investor Relations

Agenda



- 1** Introduction – Karen Khadi
- 2** Overview of Result – Nicholas Moore
- 3** Result Analysis and Financial Management – Patrick Upfold
- 4** Outlook – Nicholas Moore
- 5** Appendices



2

Overview of Result

Nicholas Moore – Managing Director and Chief Executive Officer

About Macquarie

Building for the long term



MACQUARIE

| | |
|--|---|
| Macquarie Asset Management | <ul style="list-style-type: none"> • Top 50 global asset manager with \$A491.3b¹ 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 and tailored investment solutions over funds and listed equities |
| Corporate and Asset Finance | <ul style="list-style-type: none"> • Global provider of specialist finance and asset management solutions, with a \$A38.1b¹ asset and loan portfolio • Global capability in corporate and real estate credit investing and lending • Expertise in asset finance including aircraft, motor vehicles, technology, healthcare, manufacturing, industrial, energy, rail and mining equipment |
| Banking and Financial Services | <ul style="list-style-type: none"> • Macquarie's retail banking and financial services business • Provides a diverse range of personal banking, wealth management and business banking products and services to retail clients, advisers, brokers and business clients |
| Macquarie Securities Group | <ul style="list-style-type: none"> • Global institutional securities house with strong Asia-Pacific foundations covering sales, research, ECM, execution and derivatives and trading activities • Full-service cash equities in Australia, Asia, South Africa and Canada with specialised offerings in the US and Europe. Specialised derivatives and trading offerings in key locations globally • Key specialities: Financial Institutions; Industrials; Infrastructure, Utilities and Renewables; Resources (mining and energy); Small-Mid Caps; and Telecommunications, Media, Entertainment and Technology (TMET) |
| Macquarie Capital | <ul style="list-style-type: none"> • Global corporate finance capability, including M&A, debt and equity capital markets, and principal investments • Key specialities in six industry groups: Financial Institutions; Industrials; Infrastructure, Utilities and Renewables; Real Estate; Resources (mining and energy); and TMET |
| Commodities and Financial Markets | <ul style="list-style-type: none"> • Provides clients with risk and capital solutions across physical and financial markets • Diverse platform covering more than 25 market segments, with more than 140 products • Expertise in providing clients with access to markets, financing, financial hedging, and physical execution • Growing presence in commodities (natural gas, LNG, NGLs, power, oil, coal, base metals, iron ore, sugar and freight) |



1H17 Result

\$A1,050m

- Net profit \$A1,050m, down 2% on 1H16 and up 6% on 2H16
- Operating income \$A5,218m, down 2% on 1H16 and up 8% on 2H16
- As foreshadowed:
 - Macquarie’s annuity-style businesses (Macquarie Asset Management, Corporate and Asset Finance and Banking and Financial Services), which represent approx. 70% of the Groups’ performance¹, continued to perform well with a full period contribution from AWAS/Esanda as well as a gain on the disposal of Macquarie Life² compared to a pcp which benefited from significant performance fees in MAM (1H16)
 - Combined net profit contribution³ of \$A1,639m down 15% on 1H16 and up 36% on 2H16
 - Macquarie’s capital markets facing businesses (Macquarie Securities Group, Macquarie Capital and Commodities and Financial Markets) benefited from lower impairments and increased principal realisations in MacCap and CFM, offset by lower trading activity
 - Combined net profit contribution³ of \$A695m broadly in line with 1H16 and up 15% on 2H16
- Operating expenses \$A3,733m, up 1% on 1H16 and up 9% on 2H16
- Effective tax rate 29.4%, down from 33.1% in 1H16 and up from 28.6% in 2H16
- Earnings per share \$A3.12, down 4% on 1H16 and up 6% on 2H16
- Annualised return on equity 14.6%, down from 15.8% in 1H16 and up from 13.7% in 2H16
- 1H17 ordinary dividend of \$A1.90 (45% franked), up on 1H16 ordinary dividend of \$A1.60 (40% franked) and down on 2H16 ordinary dividend of \$A2.40 (40% franked)

1H17 Result



| Net operating income |
|---|
| Total operating expenses |
| Operating profit before income tax |
| Income tax expense |
| Loss/(profit) attributable to non-controlling interests |
| Profit attributable to MGL shareholders |

| | 1H17 \$Am | 2H16 \$Am | 1H16 \$Am |
|---|--------------|--------------|--------------|
| Net operating income | 5,218 | 4,817 | 5,318 |
| Total operating expenses | (3,733) | (3,421) | (3,699) |
| Operating profit before income tax | 1,485 | 1,396 | 1,619 |
| Income tax expense | (438) | (397) | (530) |
| Loss/(profit) attributable to non-controlling interests | 3 | (6) | (19) |
| Profit attributable to MGL shareholders | 1,050 | 993 | 1,070 |

| |
|-----------------------------|
| Earnings per share |
| Return on equity (%) |

| | | | |
|-----------------------------|----------------|----------------|----------------|
| Earnings per share | \$A3.12 | \$A2.95 | \$A3.25 |
| Return on equity (%) | 14.6 | 13.7 | 15.8 |

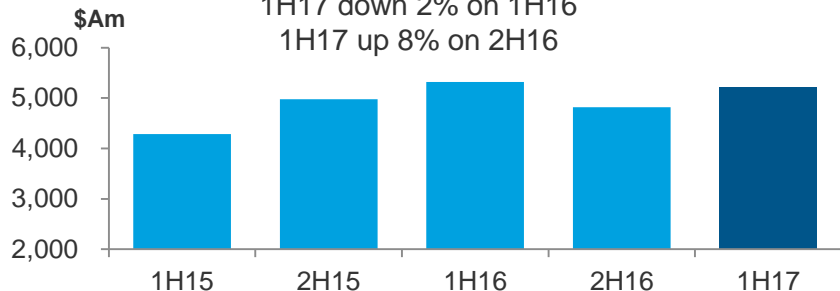
| | 1H17 v 1H16 | 1H17 v 2H16 |
|---|----------------|----------------|
| Net operating income | ↓ 2% | ↑ 8% |
| Total operating expenses | ↑ 1% | ↑ 9% |
| Operating profit before income tax | ↓ 8% | ↑ 6% |
| Income tax expense | ↓ 17% | ↑ 10% |
| Loss/(profit) attributable to non-controlling interests | | |
| Profit attributable to MGL shareholders | ↓ 2% | ↑ 6% |
| Earnings per share | ↓ 4% | ↑ 6% |
| Return on equity (%) | ↓ 8% | ↑ 7% |



Financial performance

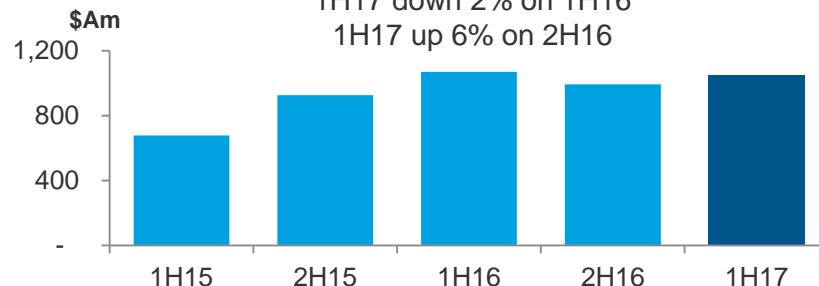
1H17 Operating income of \$A5,218m

1H17 down 2% on 1H16
1H17 up 8% on 2H16



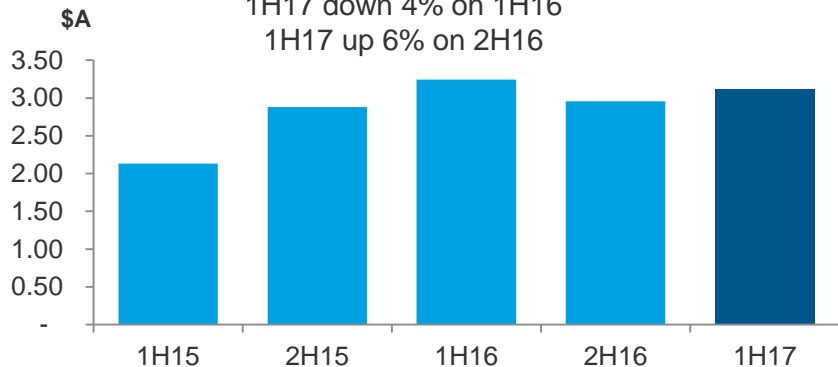
1H17 Profit of \$A1,050m

1H17 down 2% on 1H16
1H17 up 6% on 2H16



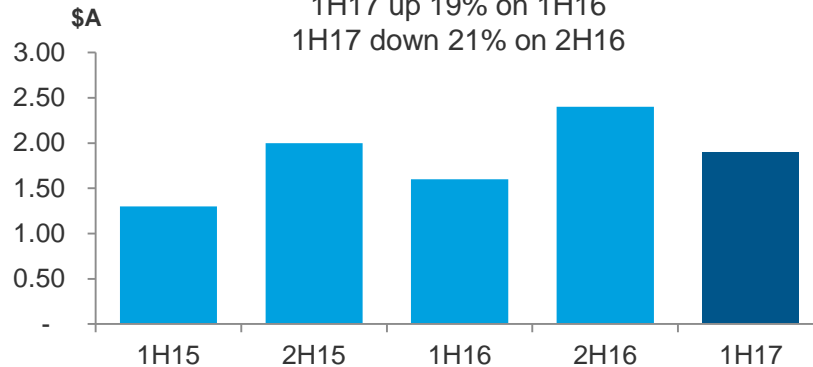
1H17 EPS of \$A3.12

1H17 down 4% on 1H16
1H17 up 6% on 2H16



1H17 DPS of \$A1.90

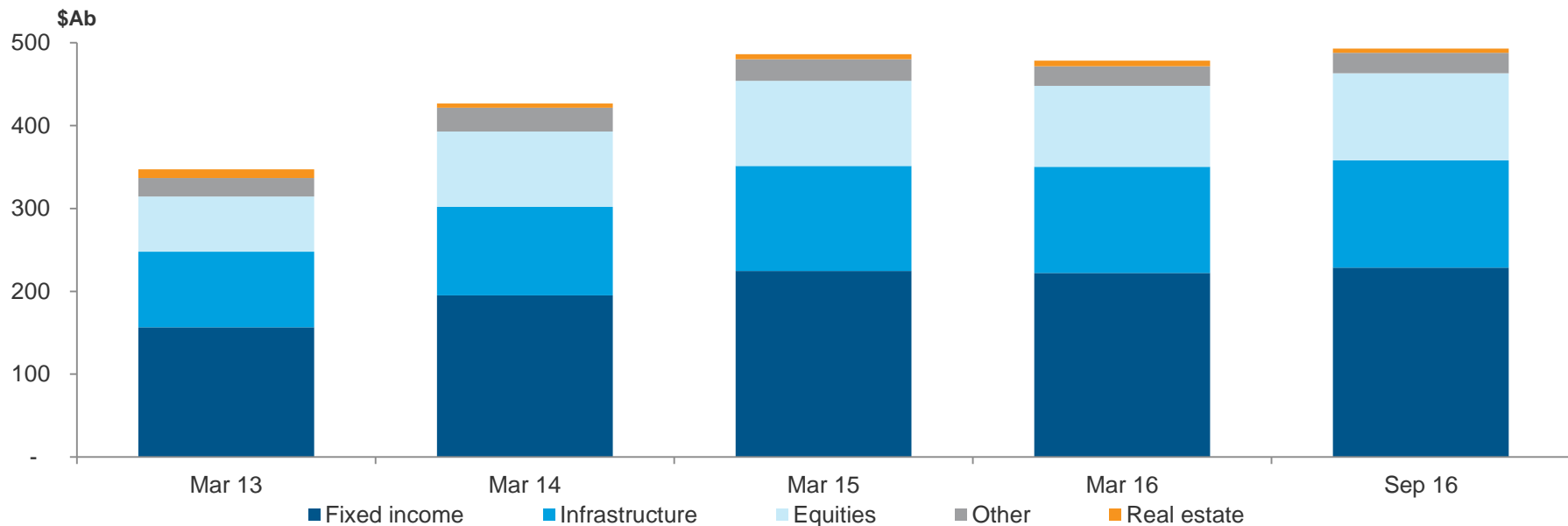
1H17 up 19% on 1H16
1H17 down 21% on 2H16





Assets under management of \$A493.1 billion¹

AUM increased \$A14.5b since 31 Mar 16, largely due to favourable market movements and additional fund investments in MIRA, partially offset by asset realisations in MIRA, unfavourable FX movements and small net outflows in MIM



1. As at 30 Sep 16.

Diversification by region

International income approx. 60% of total income¹

Total staff 13,816; International staff 54% of total



MACQUARIE

Europe, Middle East & Africa

Income: \$A1,295m (25% of total)
Staff: 1,510

Europe

Dublin
Frankfurt
Geneva
Glasgow
London
Luxembourg
Madrid
Munich
Paris
Vienna
Zurich

Middle East

Abu Dhabi
Dubai

South Africa

Cape Town
Johannesburg

Asia

Income: \$A568m (11% of total)
Staff: 3,474

Australia

Adelaide
Brisbane
Canberra
Gold Coast
Manly
Melbourne
Parramatta
Perth
Sydney

Asia

Bangkok
Beijing
Gurgaon
Hong Kong
Jakarta
Kuala Lumpur
Manila
Mumbai
Seoul
Shanghai
Singapore
Taipei
Tokyo

New Zealand

Auckland

Americas

Income: \$A1,156m (23% of total)
Staff: 2,544

Canada

Calgary
Montreal
Toronto
Vancouver

USA

Austin
Boca Raton
Boston
Chicago
Denver
Houston
Jacksonville
Los Angeles
Nashville
New York
Philadelphia
San Diego
San Francisco
San Jose

Latin America

Mexico City
Ribeirao Preto
Sao Paulo

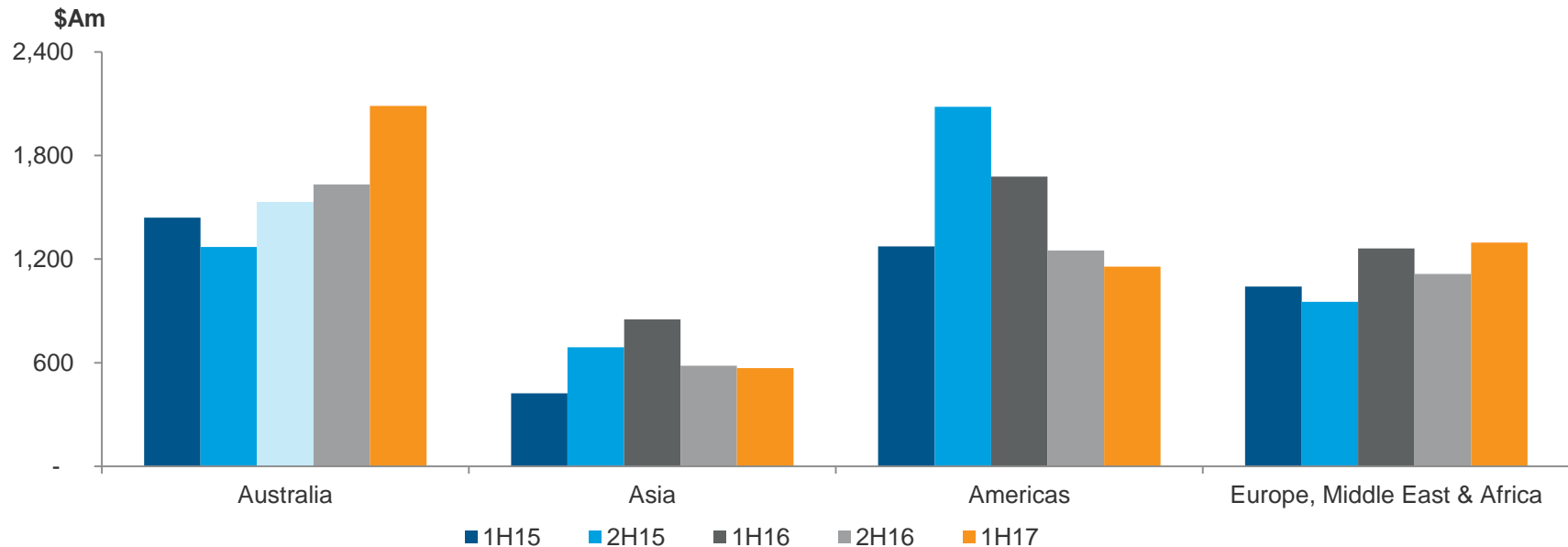
Australia²

Income: \$A2,086m (41% of total)
Staff: 6,288

1. Net operating income excluding earnings on capital and other corporate items. 2. Includes New Zealand.

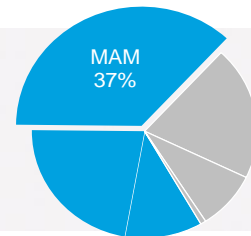
Diversification by region

- Approx. 60% of total income¹ in 1H17 was generated offshore
- A 10% movement² in AUD is estimated to have approx. 6% impact on NPAT



Macquarie Asset Management

Operating income of \$A1,373m, down 18% on 1H16 and up 32% on 2H16
 Net profit contribution of \$A857m, down 25% on 1H16 and up 70% on 2H16



AUM of \$A491.3b¹ up 3% on Mar 16

| Macquarie Infrastructure and Real Assets | Macquarie Investment Management | Macquarie Specialised Investment Solutions |
|---|--|---|
| <ul style="list-style-type: none"> • \$A72.0b in equity under management, up 8% on Mar 16 • Raised \$A7.4b in new equity, including new fund commitments for European infrastructure and Korean concessions, co-investments capital for infrastructure in North America and Europe, and agriculture in Brazil • Invested equity of \$A3.4b across 12 acquisitions and 8 follow-on investments in 9 countries, including: <ul style="list-style-type: none"> - Infrastructure in US, Italy, Japan, Mexico, India and New Zealand - Real estate in Slovakia and Mexico; and - Agriculture in Brazil and Australia • Asset divestments of over \$A2.0b in the US, China, Korea and Europe • Performance fees of \$A165m, predominately from Macquarie Atlas Roads (MQA), Macquarie Korea Infrastructure Fund (MKIF), Australian managed accounts and from co-investors in respect of infrastructure assets • Principal gains from the partial sale of MIRA's holding in MQA, as well as unlisted real estate holdings • \$A11.9b of equity to deploy as at 30 Sep 16 • Named 'Infrastructure Manager of the Year' by Global Investor magazine and ranked No.1 infrastructure manager globally² | <ul style="list-style-type: none"> • \$A351.1b in assets under management, up 4% on Mar 16, largely due to favourable market movements, partially offset by small net outflows related to client asset allocation changes in a select number of funds in the US and Australia • Strong performance across a range of asset classes including Australian equities and Emerging Markets equities, as well as affiliated managers • Continued to expand global distribution network with recruitment in the US, Germany and South Korea • Distribution highlights include: <ul style="list-style-type: none"> - Australia: \$A1.1b wholesale net inflows, \$A0.4b new institutional mandates and contributions funded - Asia: \$A2.6b new institutional mandates and contributions funded - North America: \$US0.7b net mutual fund inflows, \$US1.0b new institutional mandates and contributions funded - EMEA: \$US0.7b new institutional mandates and contributions funded • Launched US Small Cap Growth mutual fund • Received four awards at the Money Management/Lonsec Awards, including the 'Overall Fund Manager of the Year'³ | <ul style="list-style-type: none"> • Continued to grow the Macquarie Infrastructure Debt Investment Solutions (MIDIS) platform: <ul style="list-style-type: none"> - Closed a number of investments bringing total AUM to \$A3.4b • Arranged and underwrote an innovative Export Credit Agency financing for an infrastructure project, which generated a gain on sell-down for MSIS • Raised over \$A1.0b for Australian retail principal protected investments and specialist funds |

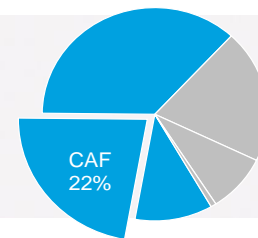
Note: Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. Pie chart is based on 1H17 net profit contribution from operating groups.

1. As at 30 Sep 16. 2. Willis Towers Watson 2016 Global Alternatives Survey, published in conjunction with The Financial Times. 3. For more information about these awards, the issuers of these awards, their methodologies, and other important information about these awards, visit: <http://www.macquarie.com.au/mgl/au/mfm/mim/about-us/awards>.

Corporate and Asset Finance

Operating income of \$A835m, down 3% on both 1H16 and 2H16

Net profit contribution of \$A521m, down 15% on 1H16 and broadly in line with 2H16



Asset Finance and Lending portfolio of \$A38.1b down 3% on Mar 16

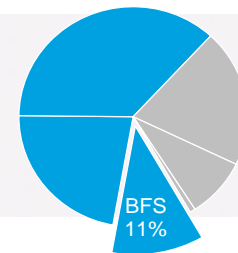
| Lending | Asset Finance |
|---|---|
| <ul style="list-style-type: none"> • Lending's funded loan portfolio of \$A8.3b¹, down 13% on Mar 16 due to net repayments • \$A0.8b of portfolio additions in 1H17, down from \$A1.7b in 1H16, comprising: <ul style="list-style-type: none"> - \$A0.6b of new primary financings across corporate and real estate, weighted towards bespoke originations - \$A0.2b of corporate and real estate loans and similar assets acquired in the secondary market • Notable transactions included: <ul style="list-style-type: none"> - Acquisition of a residential mortgage portfolio in the UK totalling £89m - Lead arranger of and participant in a €300m debt refinancing for a leading private hospital in Ireland • Notable realisations included: <ul style="list-style-type: none"> - Early repayment of the debt in a leading UK Motorway service area operator • Asset quality remained sound and the portfolio continued to generate strong overall returns | <ul style="list-style-type: none"> • Asset Finance portfolio of \$A29.8b, broadly in line with Mar 16 • Continued to finance throughout the customer value chain – from manufacturer to end user: aircraft, motor vehicles, technology, healthcare, manufacturing, industrial, energy, rail and mining equipment • AWAS and Esanda acquisitions successfully integrated and continue to perform in line with expectations • Motor vehicle portfolio of \$A17.8b, up 2% on Mar 16 <ul style="list-style-type: none"> - The Esanda dealer finance portfolio consisting of over 300,000 contracts was successfully migrated during the period • Aircraft leasing portfolio of \$A8.5b, down 4% on Mar 16 reflecting asset depreciation in the portfolio as well as the sale of eight aircraft during the period <p>Funding activity</p> <ul style="list-style-type: none"> • Strong securitisation activity continued with a further \$A0.9b of motor vehicle and equipment leases and loans securitised during 1H17 • Continued use of diverse funding sources with 33% of the Asset Finance portfolio funded externally |

Note: Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. Pie chart is based on 1H17 net profit contribution from operating groups.
 1. Includes Real Estate Structured Finance legacy run-off portfolio and equity portfolio of \$A0.3b.

Banking and Financial Services

Operating income of \$A879m, up 19% on 1H16 and up 21% on 2H16

Net profit contribution of \$A261m, up 54% on 1H16 and up 45% on 2H16



Australian client numbers 1.1 million

| Personal Banking | Wealth Management | Business Banking |
|---|--|---|
| <ul style="list-style-type: none"> Provides retail financial products such as mortgages, credit cards and deposits. It serves Personal Banking customers through strong mortgage intermediary relationships, a white-label personal banking platform and Macquarie branded offerings <p>Activity</p> <ul style="list-style-type: none"> Australian mortgage portfolio of \$A28.6b, broadly in line with Mar 16, representing approximately 2% of the Australian mortgage market Sale of remaining US mortgages portfolio Macquarie awarded iSelect's 2016 Home Loans Partner of the Year for the third consecutive year, and 2016 Innovation Award¹ Recognised for the Best SMSF Property Loan at the AFR Smart Investor Blue Ribbon Awards 2016² Macquarie Platinum Transaction Account and Travel Debit Card awarded a Canstar five star rating for outstanding value³ Unveiled new digital banking experience with market leading features in Australian banking and made Android Pay available for cardholders | <ul style="list-style-type: none"> Provides superannuation and investment products, as well as financial advice, private banking, stockbroking, cash management and wrap platform services. It delivers products and services through institutional relationships, adviser networks and dedicated direct relationships with its clients <p>Activity</p> <ul style="list-style-type: none"> Funds on platform of \$A62.1b, up 6% on Mar 16⁴ Sale of Macquarie Life's risk insurance business to Zurich Australia Limited completed Continued the implementation of new administration offering for ANZ Banking Group's wrap platform OwnersAdvisory by Macquarie named Best Fintech Innovation in Wealth Management at the 2016 FinTECH Awards⁵ | <ul style="list-style-type: none"> Provides a full range of deposit, lending and payment solutions, as well as tailored services to business clients, ranging from sole practitioners to corporate professional firms, who we engage with through a variety of channels including dedicated relationship managers <p>Activity</p> <ul style="list-style-type: none"> Business banking deposit volumes up 11% on Mar 16 Business banking loan portfolio of \$A6.4b, up 8% on Mar 16 Total business banking SME clients up 4% on Mar 16 Launched Kubio, a cloud based CRM and loan origination software platform for commercial brokers Announced agreement to deliver BPAY payments on the Xero platform using the market leading DEFT payments system |
| <p>Deposits</p> | | |
| <ul style="list-style-type: none"> Total BFS deposits⁶ of \$A42.2b up 4% on Mar 16 <ul style="list-style-type: none"> - CMA deposits of \$A24.5b up 7% on Mar 16 Macquarie awarded Best Cash and Term Deposits in the Self Managed Super Fund Awards 2016⁷ | | |

Note: Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. Pie chart is based on 1H17 net profit contribution from operating groups.

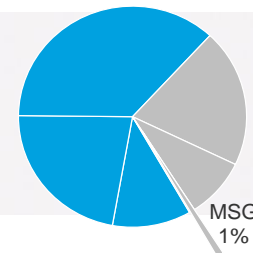
1. iSelect Partner Awards 2016. 2. AFR Smart Investor Blue Ribbon Awards 2016. 3. Canstar Travel Debit Card and Savings and Transaction Account Star Ratings 2016. 4. Funds on platform include Macquarie Wrap and Vision. 5. Australian FinTech Awards 2016.

6. BFS deposits exclude any Corporate/Wholesale deposit balances. 7. SMSFAdviser SMSF Awards 2016.

Macquarie Securities

Operating income of \$A483m, down 33% on 1H16 and down 4% on 2H16

Net profit contribution of \$A18m, down 93% on 1H16 and down 36% on 2H16



Cash

- Market volumes remain subdued across most regions as macroeconomic and geopolitical events weigh on investor sentiment towards equities
- Global ECM activity low, with deal volumes in Australia also impacted
- Ranked No.1 overall (Global and Asia-Pacific) in the CIO 2016 Transition Management Survey¹

Australia and New Zealand

- **Commissions broadly in line** with 1H16, and up 4% on 2H16
- **ECM market share of 18.3%** for CY16, up from 15.4% in CY15²
- Ranked **No.1 for IPOs** in Australia and No.2 for equity, equity-linked and rights deals³

Asia

- **Commissions down 20%** on 1H16 and down 5% on 2H16
- Ranked 8th overall in the Institutional Investor 2016 Rankings - All Asia Survey

Americas

- **Commissions down 20%** on 1H16 and down 17% on 2H16

Europe

- **Commissions down 5%** on 1H16 and up 10% on 2H16
- **Ranked No.1 analyst** in 5 sectors in South Africa⁴

Derivatives and Trading

- Market conditions remain challenging, characterised by low levels of client activity and subdued trading conditions driven by the challenging macroeconomic environment, particularly in Asia
- Investor demand for warrant products remains low, reflective of the broader macro sentiment across Asia markets
- **No.1 market share** in listed warrants in **Singapore, No.2 in Malaysia, No.4 in Thailand and No.6 in Hong Kong**⁵

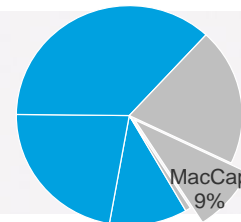
Note: Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. Pie chart is based on 1H17 net profit contribution from operating groups.

1. Chief Investment Officer Magazine Survey – Sep 16. 2. Thomson CY16 (1 Jan 16 – 30 Sep 16) and CY15 (1 Jan 15 – 30 Sep 15). 3. Dealogic, Thomson CY16 (by value). 4. Financial Mail Annual Report 2016. 5. Net outstanding notional on local exchanges.

Macquarie Capital

Operating income of \$A569m, up 10% on 1H16 and down 11% on 2H16

Net profit contribution of \$A205m, up 21% on 1H16 and down 27% on 2H16



201 transactions valued at \$A65b in 1H17

(216 transactions valued at \$A120b in 1H16 and 186 transactions valued at \$A60b in 2H16)

| Australia and New Zealand | Asia | Americas | EMEA |
|--|---|--|--|
| <p>Market conditions¹</p> <ul style="list-style-type: none"> M&A deal values down ~29% on 1H16 and down ~6% on 2H16 ECM deal values down ~39% on 1H16 and down ~3% on 2H16 <p>Activity</p> <ul style="list-style-type: none"> Leading market position albeit subdued equity markets impacting volumes Strong contribution from principal investments <p>Awards/Rankings</p> <ul style="list-style-type: none"> No.1 in M&A for both announced and completed deals² No.1 for IPOs in Australia³ <p>Notable deals</p> <ul style="list-style-type: none"> Adviser to Brookfield Infrastructure, together with its institutional partners, on the acquisition of Asciano Limited for \$A12b Adviser to Broadspectrum Limited on its \$A1.3b takeover by Ferrovial Services Australia Pty Ltd Joint lead manager and joint bookrunner in relation to Reliance Worldwide Corporation Limited's \$A919m IPO | <p>Market conditions¹</p> <ul style="list-style-type: none"> Asia ex-Japan: M&A deal values down ~44% on 1H16 and down ~21% on 2H16 ECM deal values flat on 1H16 and up ~30% on 2H16 Real Assets: New renewable and environmental policies in Korea, Japan and Taiwan having positive impact on infrastructure development deal flow across solar, wind and waste <p>Activity</p> <ul style="list-style-type: none"> Continued increase in deal activity in infrastructure development and green energy (e.g. solar and waste) Focus on areas where we have a competitive advantage (e.g. Infrastructure, Real Estate) <p>Notable deals</p> <ul style="list-style-type: none"> Adviser on behalf of Seoul Tunnel Co., Ltd. in connection with Seoul Jemulpo Tunnel Project (\$A948m) Adviser to Metro Pacific Investments Corporation for the 56% acquisition in Global Business Power for a total consideration of \$US470m Joint bookrunner and joint lead manager on the \$US1.2b Hong Kong IPO of Everbright Securities | <p>Market conditions¹</p> <ul style="list-style-type: none"> US: M&A deal values down ~5% on 1H16 and up ~9% on 2H16 Canada: M&A deal values down ~33% on 1H16 and up ~15% on 2H16 <p>Activity</p> <ul style="list-style-type: none"> Solid advisory and private capital activity in 1H17 Leading market position in infrastructure maintained, with expansion into midstream and selective expansion into other niches <p>Awards/Rankings</p> <ul style="list-style-type: none"> No.1 for Infra/Project Finance advisory in North America⁴ No.5 Bookrunner for US LBO Loans⁵ <p>Notable deals</p> <ul style="list-style-type: none"> Adviser to Siris Capital on its \$US2b acquisition of Polycorn and sole bookrunner and sole lead arranger on the \$US975m debt financing to support the acquisition Acquired a 100% stake of a 50MW in-development portfolio of commercial and industrial battery storage projects in California from the developer, Advanced Microgrid Solutions | <p>Market conditions¹</p> <ul style="list-style-type: none"> M&A deal values up 9% on 1H16 and down ~36% on 2H16 <p>Activity</p> <ul style="list-style-type: none"> Increased principal contribution led by infrastructure and green energy Continued strength in German Industrials <p>Awards/Rankings</p> <ul style="list-style-type: none"> Infrastructure and Project Finance Deal of the Year – Baltic 2⁶ No.1 for Infra/Project Finance advisory in the UK⁴ <p>Notable deals</p> <ul style="list-style-type: none"> Capital raising and acquisition in conjunction with CFM of a 50% principal investment in the 299MW Tees Renewable Energy Plant Financial adviser and led a consortium that closed the €1.0b D4 / R7 road in Slovakia Advisor to Trelleborg AB on the disposal of its 50% stake in Vibracoustic GmbH to Freudenberg SE, the first ECM advisory role for Macquarie Capital in Germany |

Note: Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. Pie chart is based on 1H17 net profit contribution from operating groups.

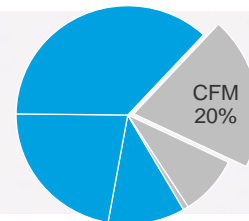
1. Dealogic, based on estimates of deal values in USD, using Macquarie regions and Macquarie half-year ended 30 Sep 16. M&A deal values have been adjusted to exclude LBOs. 2. Thomson Reuters CY1Q-3Q (any Australian involvement, by number and value).

3. Thomson Reuters CY1Q-3Q (by value). 4. InfraDeals CY1Q-3Q. 5. Bloomberg CY1Q-3Q. 6. The Banker (2016).

Commodities and Financial Markets

Operating income of \$A1,002m, up 24% on 1H16 and up 13% on 2H16

Net profit contribution of \$A472m, up 67% on 1H16 and up 61% on 2H16



| Commodity Markets (Physical & Financial) 62% of operating income ¹ | | Financial Markets (Primary & Secondary) 25% of operating income ¹ | | 13% of operating income ¹ |
|--|--|---|---|--|
| Energy Markets | Metals, Mining & Agriculture | Fixed Income & Currencies | Credit Markets | Futures |
| <ul style="list-style-type: none"> • Strong results across the energy platform, particularly from Global Oil and North American Gas • Income generated from the sale of equity holdings in energy-related investments • Lower impairments in the residual MEC portfolio • Maintained ranking as No. 3 US physical gas marketer in North America² | <ul style="list-style-type: none"> • Increased producer hedging activity in precious metals as CAD and AUD gold prices increased • Lower volatility dampened trading results and client hedging activity, particularly in base metals and agriculture compared to 1H16 • Lower impairments in the residual MEC portfolio • Continued growth in the Asian metals and agriculture platform | <ul style="list-style-type: none"> • Increased client flows in foreign exchange and interest rate markets due to ongoing market volatility, particularly around Brexit and uncertainty in US rates • Increased growth in Latin American sales and trading • Continued growth in securitisation market share in the UK and Australia | <ul style="list-style-type: none"> • Improved results for CMBS business driven by better conditions in US markets • Increased focus on client demand for speciality lending and balance sheet solutions | <ul style="list-style-type: none"> • Increased client activity and volumes across the platform due to ongoing market volatility associated with Brexit and other macro economic events • Continued growth in Direct Market Access volumes from key relationships in Europe and Asia • Changing competitive landscape continues to provide opportunities to capture market share, particularly in commodity markets |

Note: Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. Pie chart is based on 1H17 net profit contribution from operating groups.

1. Percentages are based on operating income before impairment charges. 2. Platts Q2 CY16.

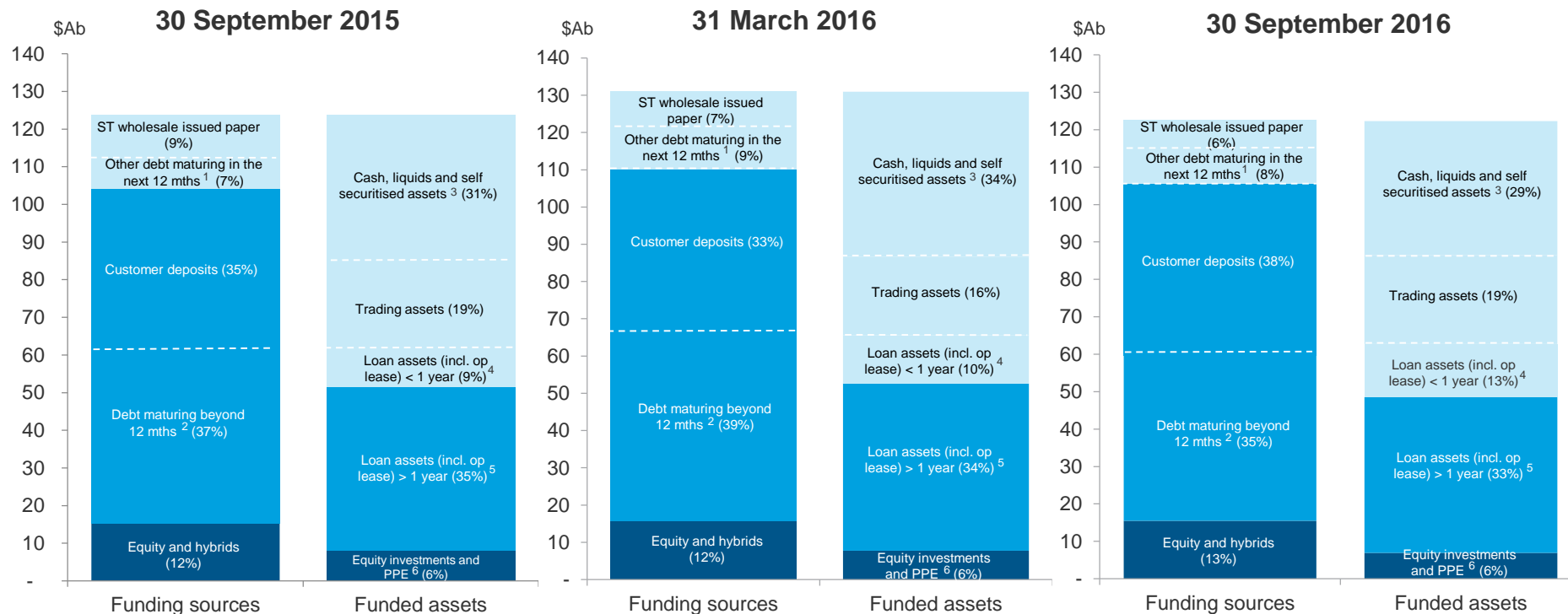


Strong funding and balance sheet position

- Macquarie remains well funded with a solid and conservative balance sheet, while pursuing its strategy of diversifying funding sources by continuing to grow its deposit base and accessing a variety of funding markets
- Total customer deposits¹ increased by 5.7% to \$A46.1b as at Sep 16 from \$A43.6b as at Mar 16
- \$A4.0b of new term funding² raised since Mar 16 covering a range of sources, tenors, currencies and product types
- \$A8.4b of acquisition debt facilities fully repaid in 1H17 (AWAS \$A2.4b³ and Esanda \$A6.0b)

1. Total customer deposits as per the funded balance sheet (\$A46.1b) differs from total deposits as per the statutory balance sheet (\$A55.4b). The funded balance sheet excludes any deposits which do not represent a funding source for the Group. 2. Issuances are AUD equivalent based on FX rates at the time of issuance. 3. The AWAS acquisition debt facility was refinanced into a term loan in Apr 16.

Funded balance sheet remains strong

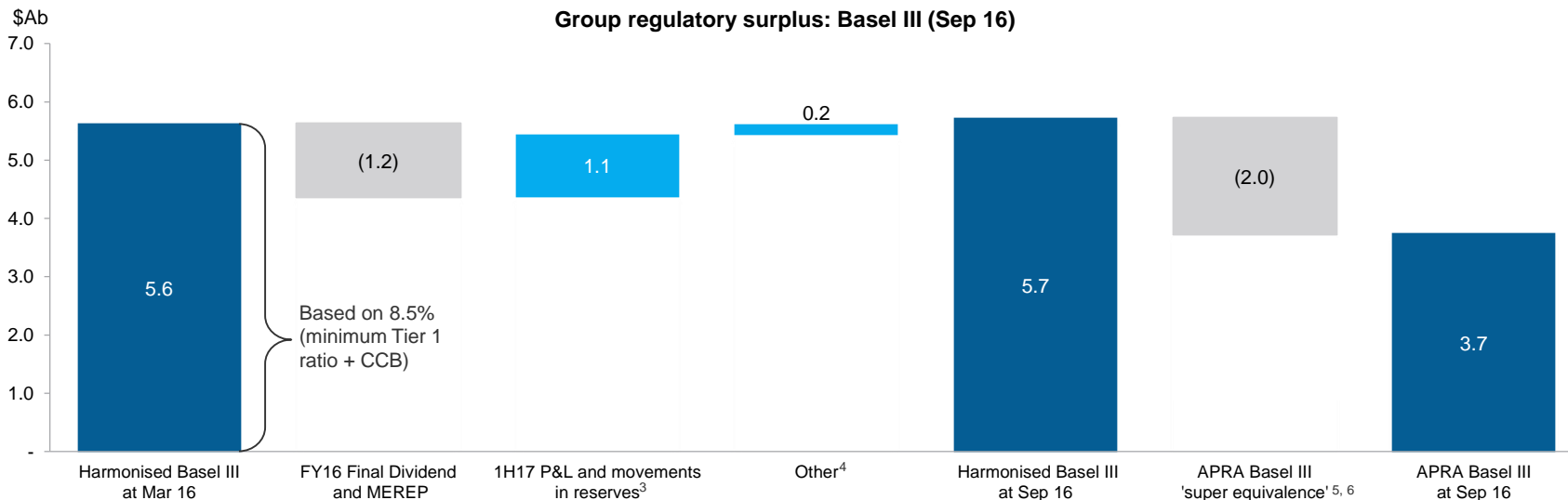


These charts represent Macquarie Group Limited's funded balance sheets at the respective dates noted above. For details regarding reconciliation of the funded balance sheet to the Group's statutory balance sheet refer to slide 59. 1. 'Other debt maturing in the next 12 mths' includes Structured Notes, Secured Funding, Bonds, Other Loans, Loan Capital maturing within the next 12 months and Net Trade Creditors. 2. 'Debt maturing beyond 12 mths' includes Loan Capital not maturing within next 12 months. 3. 'Cash, liquids and self securitised assets' includes self securitisation of repo eligible Australian mortgages originated by Macquarie. 4. 'Loan Assets (incl. op lease) < 1 yr' includes Net Trade Debtors. 5. 'Loan Assets (incl. op lease) > 1 yr' includes Debt Investment Securities. 6. '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 at Sep 16 of \$A16.9b, Group surplus of \$A3.7b¹
- Bank Group APRA Basel III CET1 ratio: 10.4%; Tier 1 ratio: 11.5%; Leverage ratio: 5.6%
- Bank Group Harmonised Basel III CET1 ratio: 12.6%; Tier 1 ratio: 13.7%; Leverage ratio: 6.5%²

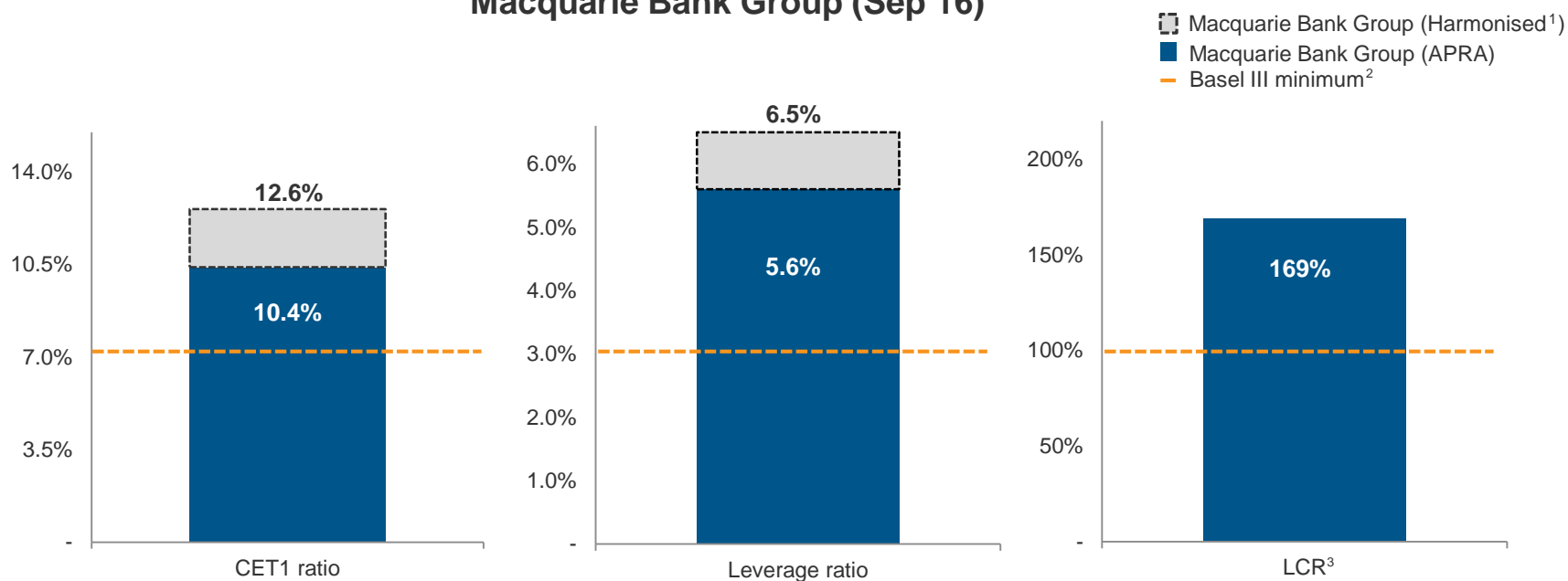


1. Calculated at 8.5% RWA including the capital conservation buffer (CCB), per APRA Prudential Standard 110. The APRA Basel III Group surplus is \$A5.1b calculated at 7% RWA, per the internal minimum Tier 1 ratio of the Bank Group. 2. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework. 3. Excludes foreign currency translation reserve movements. 4. Includes business growth, the net impact of hedging employed to reduce the sensitivity of the Group's capital position to FX translation movements and other movements in capital requirements. 5. APRA Basel III 'super-equivalence' includes the impact of changes in capital requirements in areas where APRA differs from the BCBS Basel III framework and includes full CET1 deductions of equity investments (\$A0.5b); capitalised expenses (\$A0.4b); deconsolidated subsidiaries (\$A0.3b); differences in mortgages treatment (\$A0.5b); DTAs and other impacts (\$A0.3b). 6. Includes approx. \$A275m increase in requirements from APRA's adjustment to the correlation factor for Australian residential mortgage exposures under the internal ratings based approach in response to the Final Report of the Financial System Inquiry. This comprises the estimated impact announced in Jul 15 (\$A150m), an increase in the IRB portfolio since Jun 15 (\$A55m), and a subsequent recalibration announced by APRA on 5 Aug 16 (\$A70m).

Strong regulatory ratios



Macquarie Bank Group (Sep 16)



1. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework. 2. Includes the capital conservation buffer in the minimum CET1 ratio requirement. The minimum Basel III leverage ratio requirement of 3% is effective from 1 Jan 18. 3. Average LCR for Sep 16 quarter includes Jul, Aug & Sep month-end observations.



Interim dividend

- 1H17 dividend set at \$A1.90 (45% franked), 62% payout ratio
 - 1H17 dividend up on 1H16 dividend of \$A1.60 (40% franked) and down on 2H16 dividend of \$A2.40 (40% franked)
 - Record date for 1H17 dividend is 9 Nov 16 and payment date is 14 Dec 16
- Dividend Reinvestment Plan shares for the 1H17 dividend to be sourced on-market¹
- Dividend policy remains 60-80% annual payout ratio

1. Determined in accordance with the DRP rules as the average of the daily volume weighted average price over the seven business days commencing on the fourth business day after the relevant election date. Shares may be issued if purchasing becomes impractical or inadvisable.



MACQUARIE



3

Result Analysis and Financial Management

Patrick Upfold – Chief Financial Officer

Income Statement key drivers

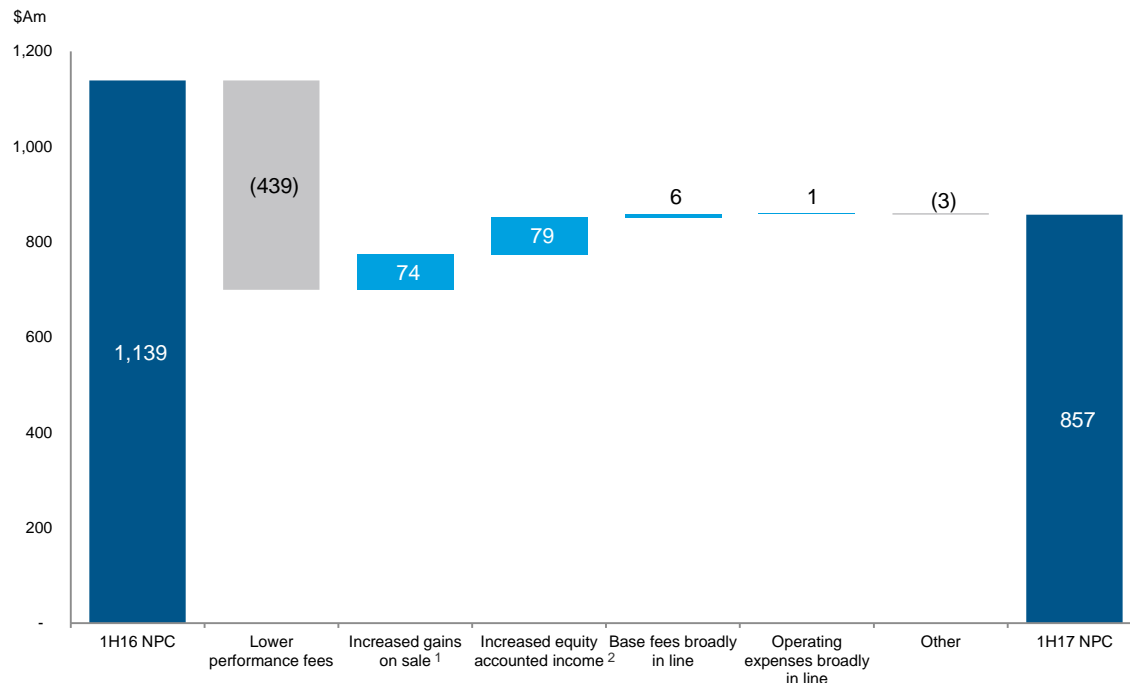


| | 1H17 \$Am | 2H16 \$Am | 1H16 \$Am |
|--|----------------|----------------|----------------|
| Net interest and trading income | 1,864 | 2,073 | 2,273 |
| Fee and commission income | 2,202 | 2,068 | 2,794 |
| Net operating lease income | 476 | 483 | 397 |
| Share of net (losses)/gains of associates | (8) | 67 | (63) |
| Impairments of investments and non-financial assets | (131) | (114) | (108) |
| Loan impairments and provisions | (151) | (238) | (336) |
| Other income | 966 | 478 | 361 |
| Net operating income | 5,218 | 4,817 | 5,318 |
| Employment expenses | (2,290) | (1,981) | (2,263) |
| Brokerage, commissions and trading-related expenses | (418) | (448) | (444) |
| Other operating expenses | (1,025) | (992) | (992) |
| Total operating expenses | (3,733) | (3,421) | (3,699) |
| Net profit before tax and non-controlling interests | 1,485 | 1,396 | 1,619 |
| Income tax expense | (438) | (397) | (530) |
| Non-controlling interests | 3 | (6) | (19) |
| Net profit after tax | 1,050 | 993 | 1,070 |

- Net interest and trading income of \$A1,864m, down 18% on 1H16
 - MSG impacted by limited trading opportunities due to market uncertainty
 - In CAF lower income due to timing of prepayments and realisations as well as lower loan volumes, resulted in reduced contribution from the Lending portfolio, as well as increased funding costs due to the AWAS portfolio acquisition, partially offset by the contribution from the Esanda dealer finance portfolio
 - Commodities trading income lower compared to 1H16 due to reduced client flow, particularly in oil
- Fee and commission income of \$A2,202m, down 21% on 1H16
 - Lower performance fees in MAM
 - Lower M&A, advisory and underwriting fees due to more subdued ECM activity in most key regions
- Net operating lease income of \$A476m, up 20% on 1H16 mainly driven by the AWAS portfolio acquisition in CAF
- Impairments of investments and non-financial assets of \$A131m up 21% on 1H16
 - Increase predominately relates to the underperformance of a small number of equity positions and the impairment of certain intangibles in BFS
- Loan impairments and provisions of \$A151m, down 55% on 1H16 mainly due to reduced exposure to underperforming commodity-related loans in CFM
- Other income of \$A966m, up significantly on 1H16 largely due to increased gains on sale of businesses and investments including BFS' sale of Macquarie Life's risk insurance business
- Employment expenses of \$A2,290m, broadly in line with 1H16
- Effective tax rate of 29.4%, down from 33.1% in 1H16 reflecting changes in the geographic composition of earnings

Macquarie Asset Management

Strong result; pcp benefited from record performance fees



Key drivers

- Lower performance fees compared to a particularly strong 1H16
 - 1H17 included fees from MQA, MKIF, Australian managed accounts and from co-investors in respect of infrastructure assets
- Increased gains on sale due to the partial sale of MIRA's holding in MQA, gains on sale of unlisted real estate holdings in MIRA and income from the sell down of infrastructure debt in MSIS
- Improved equity accounted income driven by gains on the sale of a number of underlying assets in the current period and the non-recurrence of impairments in 1H16
- Base fees broadly in line with 1H16
 - Benefited from investments made by MIRA-managed funds, growth in the MSIS Infrastructure Debt business and positive market movements in MIM, largely offset by small net AUM outflows in MIM, asset realisations by MIRA-managed funds and FX impacts
- Operating expenses broadly in line with 1H16

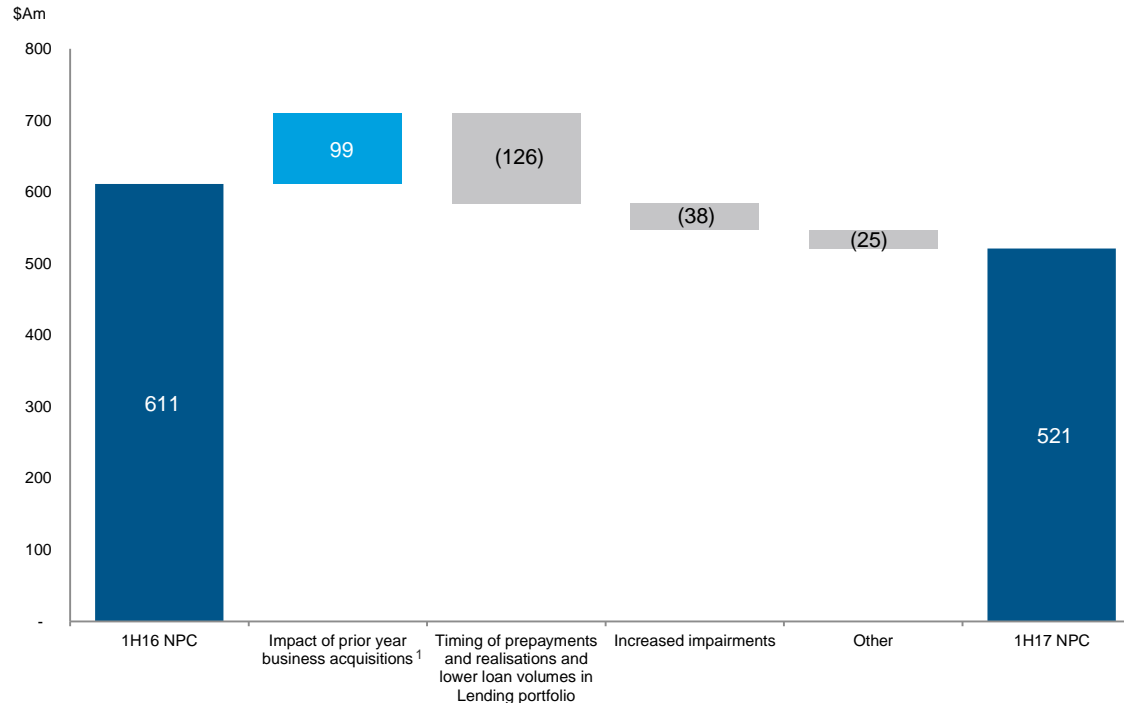
1. Represents movement in net gains on sale of debt and equity investments and non-financial assets. 2. Represents movement in share of net profits/(losses) of associates and joint ventures accounted for using the equity method.

Corporate and Asset Finance

Reduced activity in CAF Lending partially offset by AWAS & Esanda contribution



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1. Excludes impairments.

Key drivers

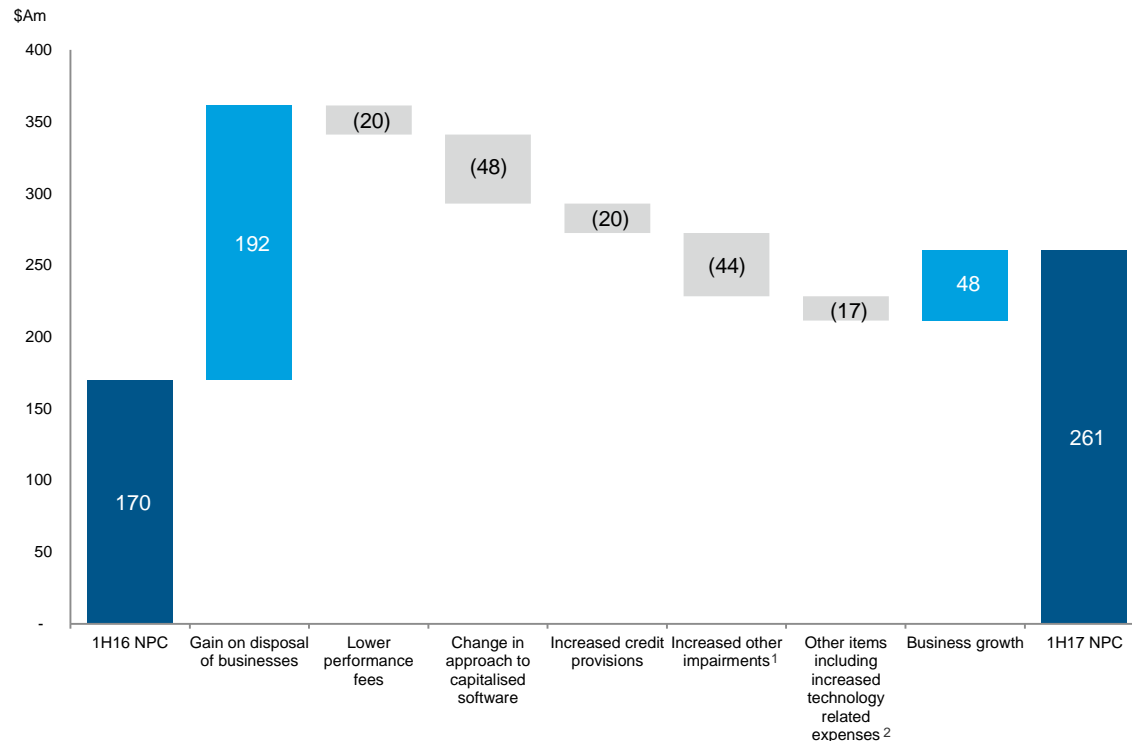
- Contribution from the acquisitions of a portfolio of aircraft from AWAS Aviation Capital Limited and the Esanda dealer finance portfolio; performing in line with expectations
- Lower income due to timing of prepayments and realisations as well as lower loan volumes, resulted in reduced contribution from the Lending portfolio
- Increased impairments due to portfolio growth primarily from the acquisition of the Esanda dealer finance portfolio and impairments of certain Aviation assets
- Movement in Other primarily includes the impact of FX

Banking and Financial Services

Strong organic growth as well as gain on sale of businesses



MACQUARIE



Key drivers

- Gain on sale of the Macquarie Life's risk insurance business to Zurich Australia Limited partly offset by losses on the sale of US mortgages portfolio
- Change in approach to the capitalisation of software expenses has resulted in the narrowing of the eligibility criteria for capitalisation in connection with the Core Banking platform
- Increased credit provisions on a small number of loans, as well as lending growth
- Increased other impairments predominately due to the underperformance of certain equity positions and impairments of intangibles relating to the Core Banking platform
- Increased technology-related expenses mainly due to elevated project activity
- Underlying growth in the portfolio
 - Australian loan portfolio increased 4% on 1H16 driven by business lending growth of 8% and a 4% increase in the Australian mortgages portfolio
 - BFS deposits volumes up 9%; income benefit partly offset by lower RBA cash rates

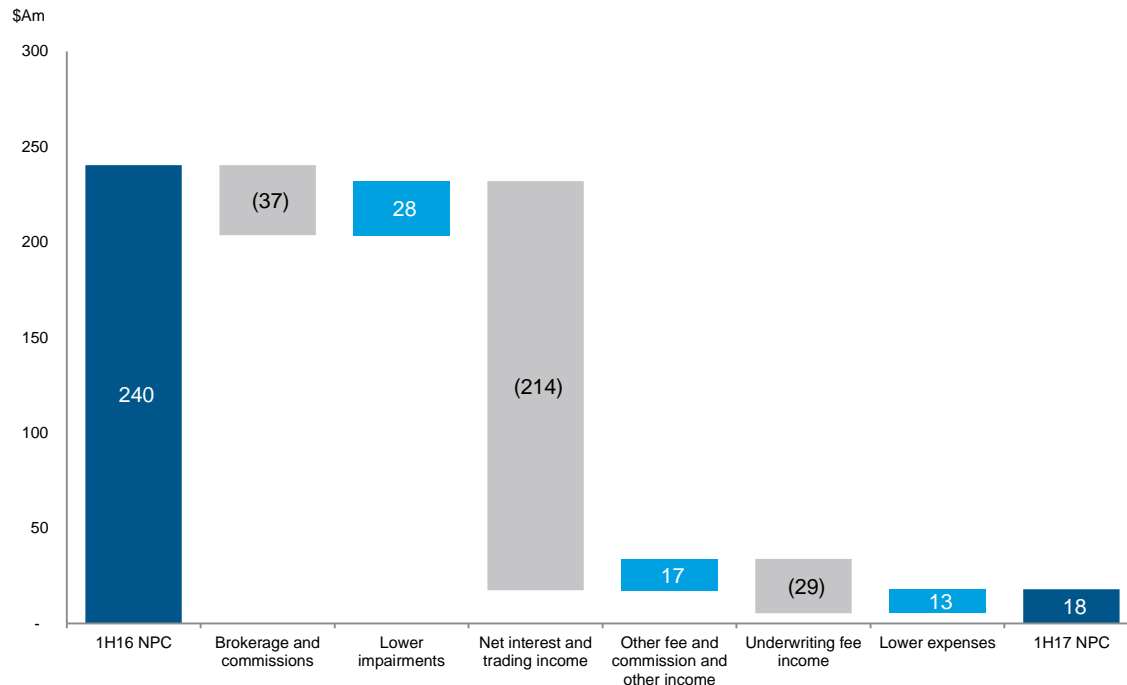
1. Includes impairment charge on equity investments (\$A15m) and intangibles (\$A10m) and Core Banking project impairments (\$A19m). 2. Excludes technology expenses associated with change in capitalised software approach.

Macquarie Securities

Market uncertainty results in reduced trading activity for clients



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Key drivers

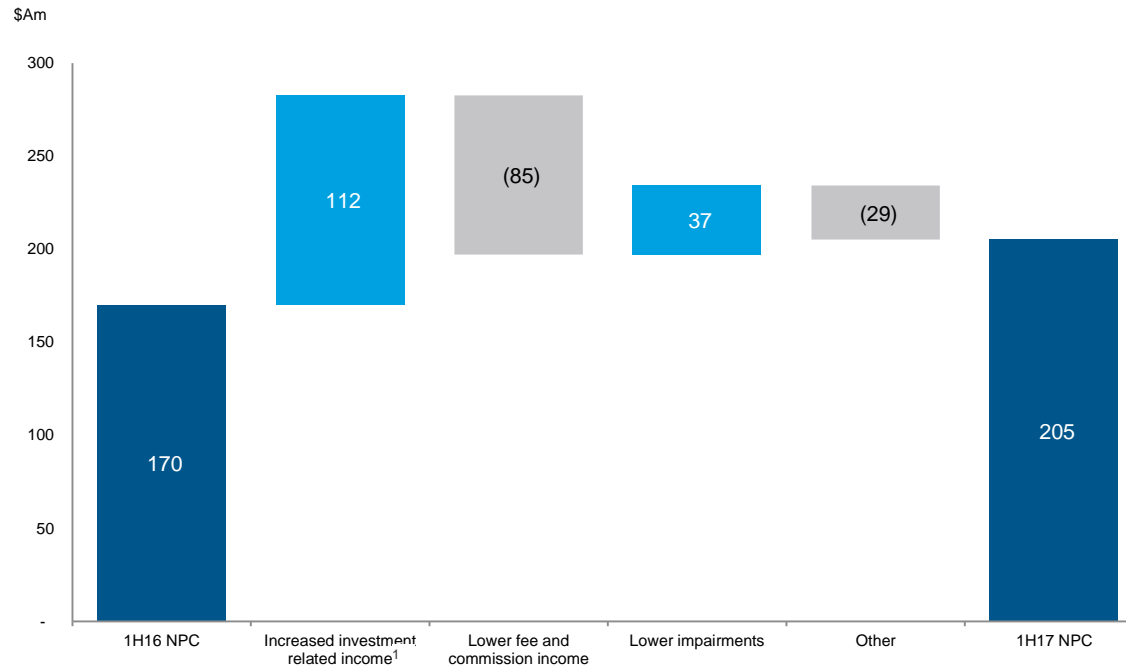
- Reduced brokerage and commissions
 - Market uncertainty impacted levels of client trading activity, particularly in Asia
- Lower net interest and trading income
 - 1H16 benefited from strong equity markets activity, particularly in China
 - Trading opportunities in 1H17 were limited due to market uncertainty
- Lower underwriting fee income
 - More subdued ECM activity in most key regions compared to 1H16
- Lower operating expenses
 - Lower brokerage, commissions and trading-related expenses due to reduced trading-related activity

Macquarie Capital

Improved result driven by greater contribution from principal assets



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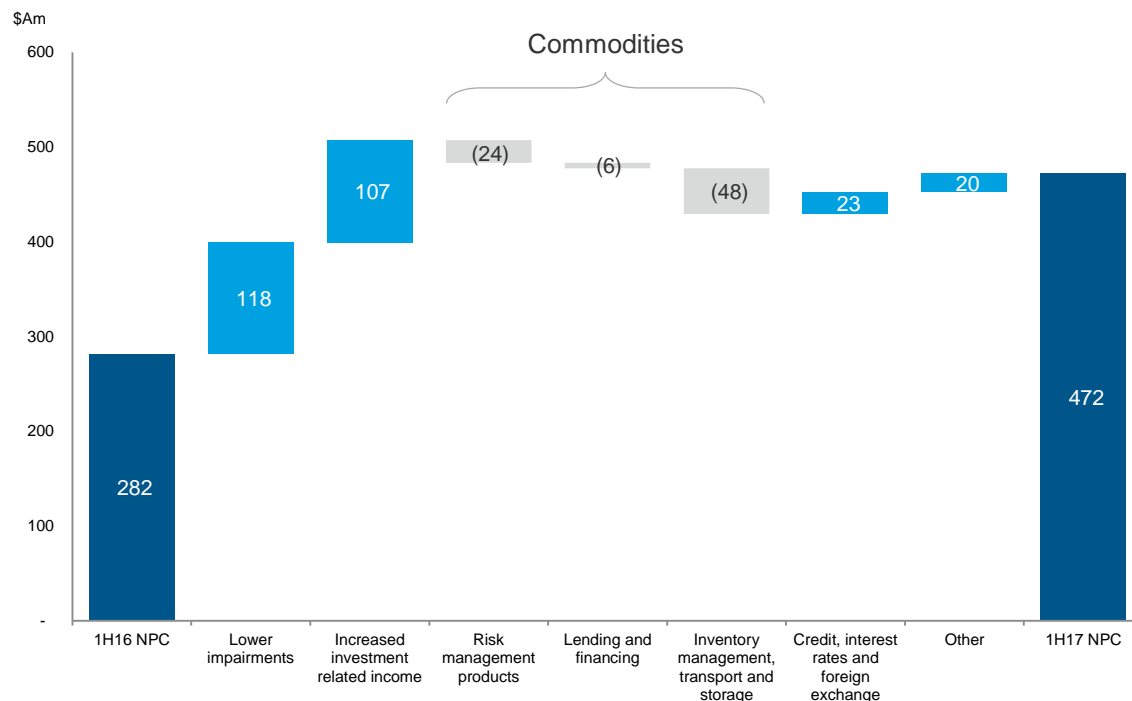
Key drivers

- Principal realisations in 1H17 primarily across ANZ and EMEA, predominately in technology, infrastructure and renewable energy sectors
- Lower fee and commission income mainly due to subdued market conditions in all key regions in which Macquarie Capital operates
- Lower impairment charges with 1H17 relating to a small number of underperforming principal investments across a range of sectors and regions
- Movement in Other relates to higher operating expenses arising from increased principal activity and changes in business operations during 1H17

¹ Includes movements in share of net profits/(losses) of associates and joint ventures accounted for using the equity method, net gains on sale and reclassification of equity and debt investments, net interest and trading income (which represents the interest earned from debt investments and the funding costs associated with Macquarie Capital's investments), other income, internal management revenue and non-controlling interests.

Commodities and Financial Markets

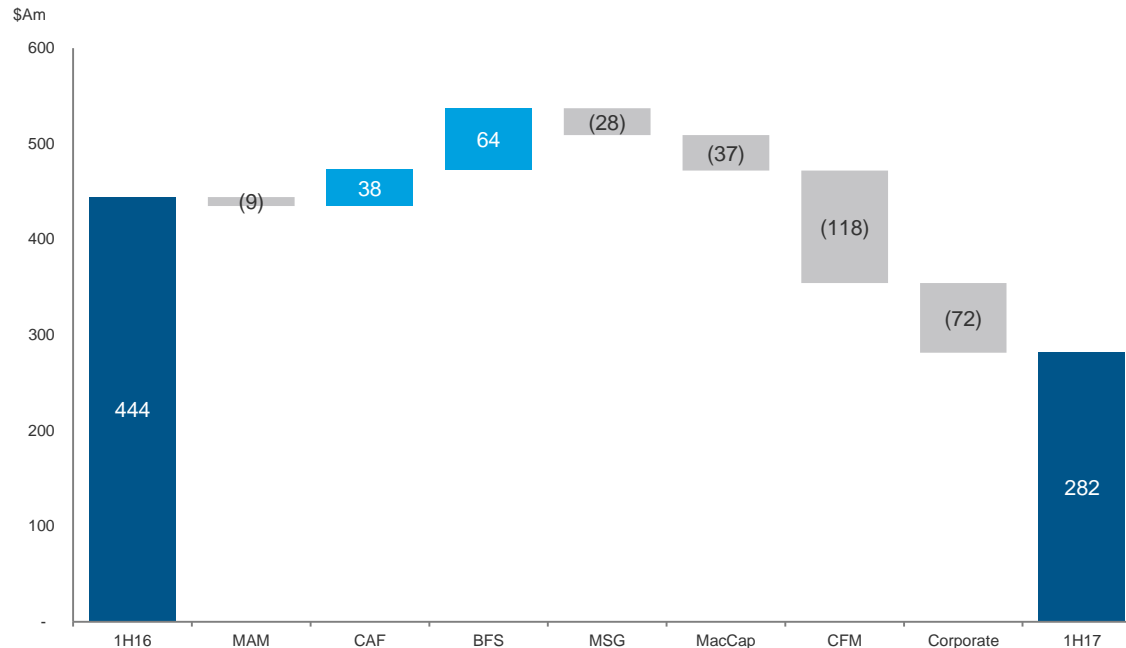
Increased contribution reflects improved asset performance and continued strength across the trading platform



Key drivers

- Lower impairments given reduced exposure to underperforming commodity-related loans and a reduction in the residual MEC equity investment portfolio
- Investment-related income increased due to gains on sale of a number of investments, mainly in energy and related sectors
- Net interest and trading income (net of associated expenses):
 - Risk management products: continued strong contribution from customer demand for risk management products, 1H16 benefited from higher levels of client activity due to heightened volatility across a number of commodities, particularly oil
 - Lending and financing: down on 1H16 as an increase in income from higher working capital financing volumes provided by Energy Markets was offset by a reduction in income from residual MEC portfolios being wound down
 - Inventory management, transport and storage: reduced profitability from price dislocations in US gas market and volatility associated with the timing of income
 - Increase in credit, interest rates and foreign exchange was underpinned by contributions from FX and interest rate markets due to ongoing market volatility, improved performance in high yield debt markets and increased asset backed securitisation activity in the Northern Hemisphere

Impairment expense¹



Key drivers

- Increase in CAF due to portfolio growth primarily from the acquisition of the Esanda dealer finance portfolio and impairments of certain Aviation assets
- Increase in BFS predominately due to the underperformance of certain equity positions, impairment of intangibles relating to the Core Banking platform, as well as specific loan impairments
- Decrease in MacCap due to lower impairment charges relating to a small number of underperforming principal investments across a range of sectors and regions
- Decrease in CFM due to reduced exposure to underperforming commodity-related loans and a reduction in the residual MEC equity investment portfolio
- Decrease in Corporate compared to 1H16 which included an increase to the central management overlay

Costs of compliance



| Regulatory project spend | 1H17 \$Am | 2H16 \$Am | 1H16 \$Am |
|--|--------------|--------------|--------------|
| Basel III and liquidity | 5 | 13 | 7 |
| OTC reform | 9 | 7 | 6 |
| Other Regulatory Projects (e.g. Privacy, Managed Investment) | 25 | 38 | 27 |
| Sub-total | 39 | 58 | 40 |

| Business as usual compliance spend | 1H17 \$Am | 2H16 \$Am | 1H16 \$Am |
|---|--------------|--------------|--------------|
| Financial, Regulatory & Tax reporting and Compliance | 58 | 47 | 46 |
| Compliance policy and oversight | 41 | 49 | 38 |
| AML Compliance | 12 | 18 | 13 |
| Regulatory Capital Management | 8 | 10 | 9 |
| Regulator Levies | 6 | 3 | 2 |
| Other Compliance functions (e.g. Privacy, Super, Consumer Protection) | 46 | 42 | 30 |
| Sub-total | 171 | 169 | 138 |

| | | | |
|-------------------------------|------------|------------|------------|
| Total compliance spend | 210 | 227 | 178 |
|-------------------------------|------------|------------|------------|

- The industry continues to see an increase in regulatory initiatives, resulting in increased compliance requirements across all levels of the organisation
- Macquarie is regulated by approx. 209 authorities in 28 jurisdictions
- Direct cost of compliance approx. \$A210m in 1H17 (excluding indirect costs), increased on 1H16
- Whilst project spend reduced during 1H17, business as usual spend continues to increase

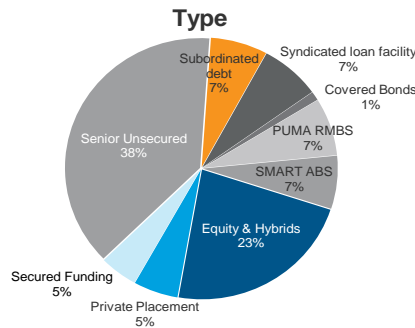
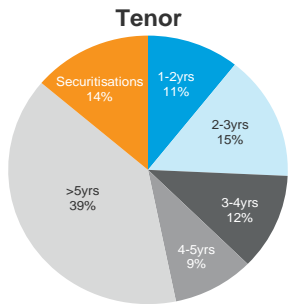
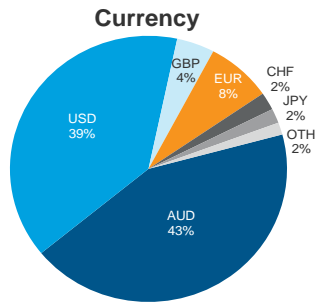


Balance sheet highlights

- Balance sheet remains solid and conservative
 - Term assets covered by term funding, stable deposits and equity
 - Minimal reliance on short term wholesale funding markets
- Total customer deposits¹ continuing to grow, up 5.7% to \$A46.1b as at Sep 16 from \$A43.6b as at Mar 16
- \$A8.4b of acquisition debt facilities fully repaid in 1H17 (AWAS \$A2.4b² and Esanda \$A6.0b)
- \$A4.0b³ of term funding raised during 1H17:
 - \$A2.4b AWAS Term Loan²
 - \$A0.8b mortgage and motor vehicle/equipment secured funding
 - \$A0.5b private placements and structured note issuance
 - \$A0.3b expansion of MBL sterling syndicated loan facility

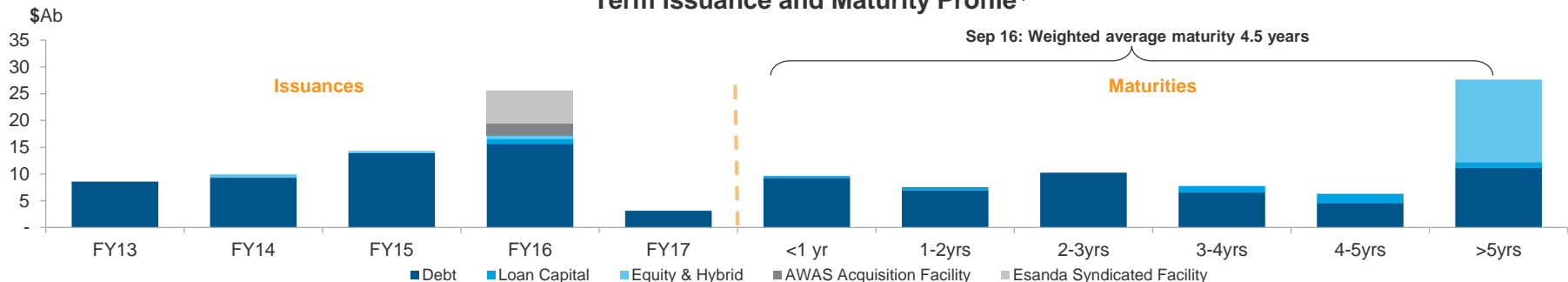
Diversified issuance strategy¹

Term funding as at 30 Sep 16 – diversified by currency², tenor³ and type



- Well diversified issuance and funding sources
- Term funding beyond 1 year (excluding equity) has a weighted average maturity of 4.5 years

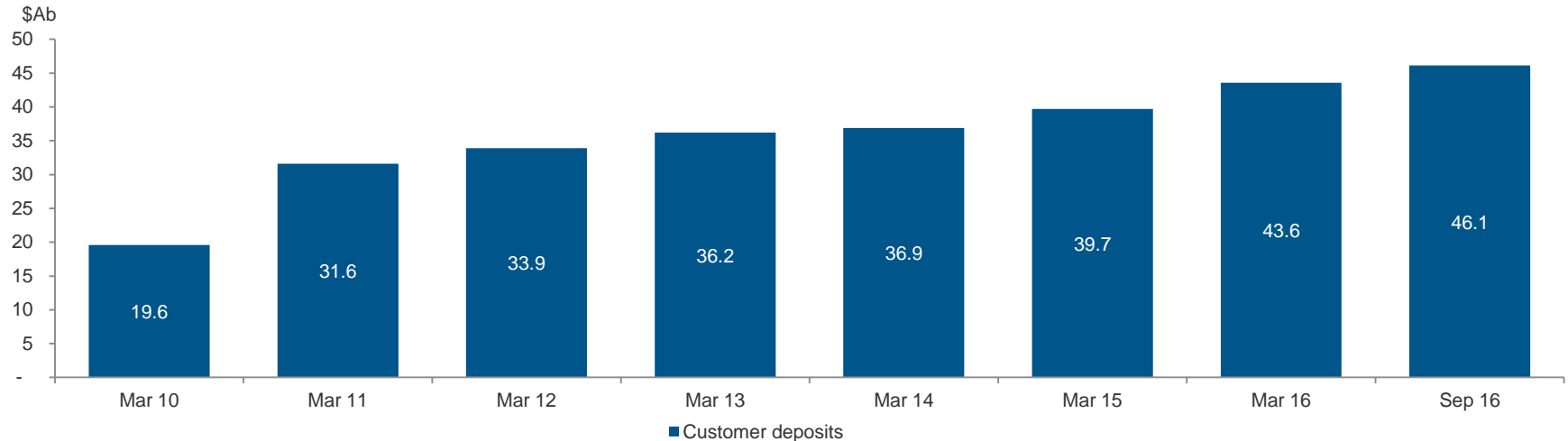
Term Issuance and Maturity Profile⁴



1. All data presented in these charts represents drawn facilities. 2. Equity has been allocated to the AUD currency category. 3. Securitisations have been presented on a behavioural basis and represent funding expected to mature in >1yr. 4. Issuances and Maturities exclude securitisations and other secured finance. Issuances are converted to AUD at the 30 Sep 16 spot rate. Maturities shown are as at 30 Sep 16. In 1H17 the AWAS acquisition debt facility (\$A2.4b) was refinanced via a term loan and the Esanda acquisition facility (\$A6.0b) was repaid in full.

Continued customer deposit growth

- Macquarie has been successful in pursuing its strategy of diversifying its funding sources through growing its deposit base
 - In excess of 1.1 million BFS clients, of which approx. 600,000 are depositors
 - Focus on the composition and quality of the deposit base
 - Continue to grow deposits in the CMA product, which has an average account balance of approx. \$A46,000



Loan and lease portfolio¹ – Funded Balance Sheet



| Operating Group | Category | Sep 16 \$Ab | Mar 16 \$Ab | Description |
|---|---------------------------------|----------------|----------------|---|
| CAF | Asset Finance ² | 23.1 | 23.3 | Secured by underlying financed assets |
| | <i>Finance lease assets</i> | 13.2 | 12.7 | |
| | <i>Operating lease assets</i> | 9.9 | 10.6 | |
| | Lending ³ | 8.0 | 9.0 | Diversified corporate and real estate lending portfolio, predominately consisting of loans which are senior, secured, well covenanted and with a hold to maturity horizon |
| | Total CAF | 31.1 | 32.3 | |
| BFS | Retail Mortgages ² : | 23.5 | 23.1 | Secured by residential property and supported by mortgage insurance: <ul style="list-style-type: none"> • Australia: most loans are fully mortgage insured • Canada: most loans are fully insured with underlying government support |
| | <i>Australia</i> | 22.9 | 21.6 | |
| | <i>Canada, US and Other</i> | 0.6 | 1.5 | |
| | Business Banking ⁴ | 6.0 | 5.8 | Secured relationship managed loan portfolio to professional and financial services firms, real estate industry clients, insurance premium funding, mortgages to Business Banking clients and other small business clients. Secured largely by real estate, working capital, business cash flows and credit insurance. The portfolio also includes other retail lending including credit cards |
| | Total BFS | 29.5 | 28.9 | |
| CFM | Resources and commodities | 2.4 | 3.0 | Diversified loan portfolio primarily to the resources sector that are secured by the underlying assets |
| | Other | 2.7 | 1.8 | Predominately relates to recourse loans to financial institutions, as well as financing for real estate and other sectors |
| | Total CFM | 5.1 | 4.8 | |
| MAM | Structured investments | 1.4 | 1.6 | Loans to retail and wholesale counterparties that are secured against equities, investment funds or cash, or are protected by capital guarantees at maturity |
| Other Op Groups | Corporate and other lending | 1.1 | 1.5 | Includes deposits with financial institutions held as collateral for trading positions, as well as diversified secured corporate lending within MacCap |
| Total loan assets per funded balance sheet⁵ | | 68.2 | 69.1 | |

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 \$A78.0b at 30 Sep 16 (\$A80.4b at 31 Mar 16) 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. Australian Retail Mortgages per the funded balance sheet of \$A22.9b differs from the figure disclosed on slide 15 of \$A28.6b and Asset Finance per the funded balance sheet of \$A23.1b differs from the figure disclosed on slide 14 of \$A29.3b. The funded balance sheet nets down loans and funding liabilities of non-recourse securitisation and warehouse vehicles to show the net funding requirement. 3. Lending per the funded balance sheet of \$A8.0b differs from the figure disclosed on slide 14 of \$A8.3b. The statutory balance sheet includes AVS debt investments which are reported in the funded balance sheet as debt investment securities. 4. Business Banking loans per the funded balance sheet of \$A6.0b differs from the figures disclosed on slide 15 of \$A6.4b. The difference relates to mortgages written by Business Banking which have been included in Retail Mortgages in the table above. In addition to this the \$A6.4b on slide 15 excludes retail lending including credit cards which have been included in this category in the table above. 5. Total loan assets per funded balance sheet includes self securitisation assets.

Equity investments of \$A4.7b¹



| Category | Carrying value ² Sep 16 \$Ab | Carrying value ² Mar 16 \$Ab | Description |
|--|---|---|--|
| Macquarie Asset Management (MIRA) managed funds | 1.8 | 1.7 | Includes Macquarie Infrastructure Company, Macquarie SBI Infrastructure Fund, Macquarie Atlas Roads, MPF Holdings Limited, Macquarie Korea Infrastructure Fund, Macquarie European Infrastructure Fund 4, Macquarie European Infrastructure Fund 3 |
| Other Macquarie managed funds | 0.5 | 0.6 | Includes MIM funds as well as investments that hedge directors' profit share plan liabilities |
| Transport, industrial and infrastructure | 0.8 | 1.2 | Over 35 separate investments, decrease due to principal realisations in MacCap |
| Telcos, IT, media and entertainment | 0.7 | 0.7 | Over 40 separate investments including Axicom |
| Energy, resources and commodities | 0.4 | 0.5 | Over 45 separate investments, decrease due to a number of divestments in CFM |
| Real estate investment, property and funds management | 0.1 | 0.1 | Over 10 separate investments |
| Finance, wealth management and exchanges | 0.4 | 0.4 | Includes investments in fund managers, investment companies, securities exchanges and other corporations in the financial services industry |
| | 4.7 | 5.2 | |

1. Equity investments per the statutory balance sheet of \$A5.7b (Mar 16: \$A6.8b) have been adjusted to reflect the total economic exposure to Macquarie. 2. Total funded equity investments of \$A5.3b (Mar 16: \$A6.0b), less available for sale and associates' reserves of \$A0.6b (Mar 16: \$A0.8b).



Regulatory update

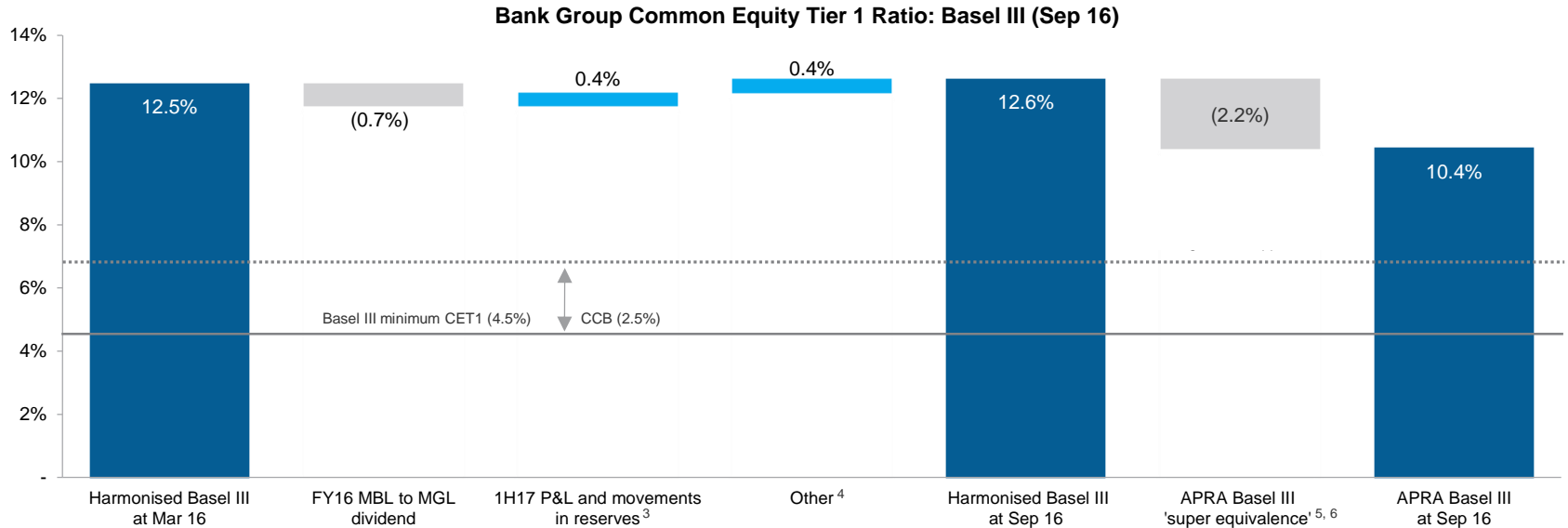
- Basel Capital Framework
 - The Basel Committee has proposed a number of changes to the calculation of risk weighted assets, most of which are under consultation. Any impact on capital will depend upon the final form of the proposals and local implementation by APRA
 - APRA has released a consultation package covering: a new standardised approach for measuring counterparty credit risk exposures on derivatives (SA-CCR); and capital requirements for bank exposures to central counterparties (CCPs)
 - APRA has proposed that the new standards will take effect from 1 Jan 2018. Macquarie is working through the potential capital implications and engaging in APRA's consultation process
- Net Stable Funding Ratio (NSFR)
 - APRA has indicated that it expects to finalise NSFR requirements by the end of 2016. The NSFR and associated changes to Prudential Standard APS 210 will be effective from 1 Jan 18
 - While the impact remains uncertain, Macquarie expects to meet the overall requirements of the NSFR

Bank Group Basel III Common Equity Tier 1 (CET1) Ratio



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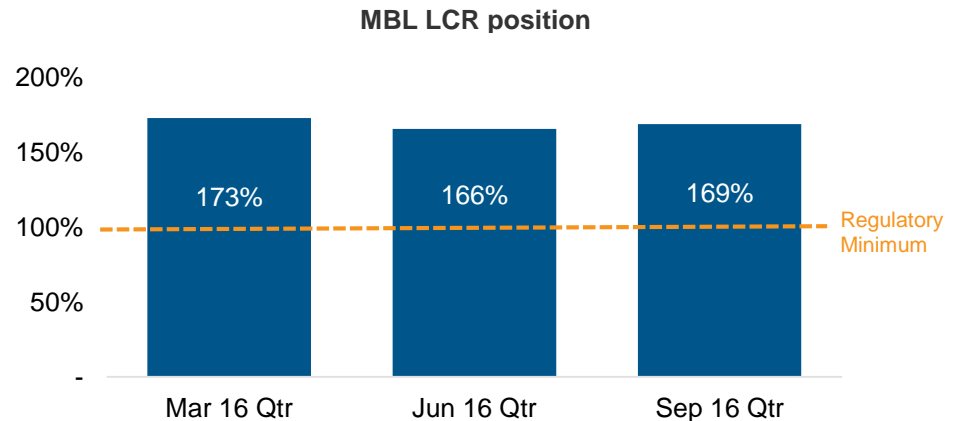
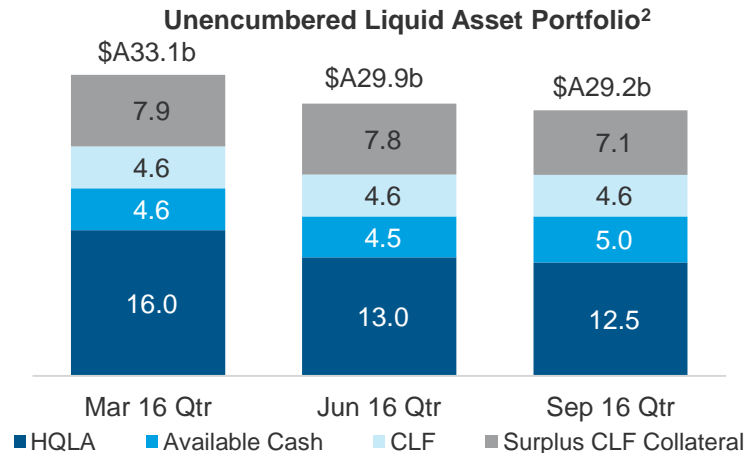
- APRA Basel III CET1 ratio: 10.4%¹
- Harmonised Basel III CET1 ratio: 12.6%²



1. Basel III applies only to the Bank Group and not the Non-Bank Group. APRA Basel III Tier 1 ratio at Sep 16: 11.5%. APRA Basel III CET1 ratio at Mar 16: 10.7%. 2. 'Harmonised' Basel III estimates are calculated in accordance with the BCBS Basel III framework. Harmonised Basel III Tier 1 ratio at Sep 16: 13.7%. 3. Excludes foreign currency translation reserve movements. 4. Includes business growth, the net impact of hedging employed to reduce the sensitivity of the Group's capital position to FX translation movements and other movements in capital requirements. 5. APRA Basel III 'super-equivalence' includes the impact of changes in capital requirements in areas where APRA differs from the BCBS Basel III framework and includes full CET1 deductions of equity investments (0.5%); capitalised expenses (0.5%); deconsolidated subsidiaries (0.3%); differences in the treatment of mortgages (0.7%); DTAs and other impacts (0.2%). 6. Includes 0.4% reduction in the CET1 ratio from APRA's adjustment to the correlation factor for Australian residential mortgage exposures under the internal ratings based approach in response to the Final Report of the Financial System Inquiry. This comprises the estimated impact announced in Jul 15 (0.2%), an increase in the IRB portfolio since Jun 15 (0.1%), and a subsequent recalibration announced by APRA on 5 Aug 16 (0.1%).

Strong liquidity position maintained

- 169% average LCR for Sep 16 quarter¹, based on month-end observations
 - Maintained well above regulatory minimums
 - Includes APRA approved AUD CLF allocation of \$A4.6b for 2016 calendar year
- Reflects long-standing conservative approach to liquidity management
- \$A29.2b of unencumbered liquid assets and cash on average over the quarter to Sep 16 (post applicable haircuts)



1. Average LCR for Sep 16 quarter includes Jul, Aug and Sep month-end observations. 2. Unencumbered Liquid Asset Portfolio represents the quarterly average of applicable month-end observations.



Capital management update

- Share purchases since 31 Mar 16
 - FY16 MEREPA \$A433m was purchased – \$A308m off-market under the staff sale arrangements and \$A125m on-market, with a combined weighted average price of \$A71.55
- The Board has resolved that no discount will apply for the 1H17 DRP and the shares are to be acquired on-market¹

1. Shares may be issued if purchasing becomes impractical or inadvisable. The DRP pricing period is from 16 Nov 16 to 24 Nov 16.



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Outlook

Nicholas Moore – Managing Director and Chief Executive Officer



Factors impacting short-term outlook

FY17 combined net profit contribution¹ from operating groups expected to be broadly in line with FY16

Annuity-style businesses

Macquarie Asset Management

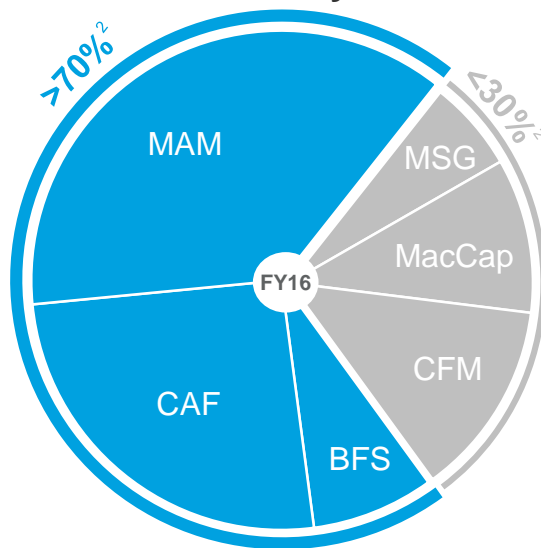
- FY16: \$A1.6b; 1H17 down \$A282m on 1H16
- Historical range: \$A0.3b-\$A1.6b, Avg: \$A0.9b
- Lower performance fees expected
- Increased investment-related income expected
- Base fees broadly in line

Corporate and Asset Finance³

- FY16: \$A1.1b; 1H17 down \$A90m on 1H16
- Historical range: \$A0.1b-\$A1.1b, Avg: \$A0.6b
- First full year contribution from AWAS and Esanda
- Income from prepayments and realisations in Lending broadly in line with FY16, albeit volumes down

Banking Financial Services⁴

- FY16: \$A0.4b; 1H17 up \$A91m on 1H16
- Historical range: \$A0.1b-\$A0.4b, Avg: \$A0.2b
- Growth in Australian mortgage, business banking and deposit books
- Gain on sale of life business partially offset by increased project-related expenses (e.g. Core Banking)



Corporate

- Compensation ratio to be consistent with historical levels
- Based on present mix of income, currently expect FY17 tax rate to be broadly in line with FY16

Capital markets facing businesses

Macquarie Securities Group

- FY16: \$A0.3b; 1H17 down \$A222m on 1H16
- Historical range: \$A(0.2)b-\$A1.2b, Avg: \$A0.3b
- Market conditions currently subdued, particularly in Asia

Macquarie Capital

- FY16: \$A0.5b; 1H17 up \$A35m on 1H16
- Historical range: \$A(0.1)b-\$A1.2b, Avg: \$A0.3b
- Market conditions currently subdued
- Solid principal realisation pipeline expected
- Level of impairments expected to fall

Commodities and Financial Markets

- FY16: \$A0.6b; 1H17 up \$A190m on 1H16
- Historical range: \$A0.5b-\$A0.8b, Avg: \$A0.6b
- Growing customer numbers expected to result in increased client flows across Commodities, FI&C and Futures
- Level of impairments expected to fall

Historical range: FY08-FY16. Average: FY08-FY16. 1. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. 2. Based on FY16 net profit contribution from operating groups. 3. Range and average exclude FY09 provisions for loan losses of \$A135m related to Real Estate Structured Finance loans as this is a restructured business. 4. Range and average exclude FY09 loss on sale of Italian mortgages of \$A248m as this is a discontinued business. 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

- We currently expect the FY17 combined net profit contribution¹ from operating groups to be broadly in line with FY16
- The FY17 tax rate is currently expected to be broadly in line with FY16
- Accordingly, the Group's result for FY17 is currently expected to be broadly in line with FY16
- Our short-term outlook remains subject to a range of challenges including:
 - Market conditions
 - The impact of foreign exchange
 - 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 Asset Management, 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 Commodities and Financial Markets
- 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



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As at 30 Sep 16

| Operating Group | APRA Basel III Capital ¹ @ 8.5% (\$Ab) | Approx. 1H17 Return on Ordinary Equity ² | Approx. 10-Year Average Return on Ordinary Equity ² |
|---|--|--|---|
| Annuity-style businesses | 8.4 | | |
| Macquarie Asset Management | 1.5 | 22% | 20% ³ |
| Corporate and Asset Finance | 4.6 | | |
| Banking and Financial Services | 2.3 | | |
| Capital markets facing businesses | 4.4 | | |
| Macquarie Securities | 0.6 | 16% | 15% - 20% |
| Macquarie Capital | 1.6 | | |
| Commodities and Financial Markets | 2.2 | | |
| Corporate and Other | 0.4 | | |
| Legacy Assets | 0.0 | | |
| Corporate | 0.4 | | |
| Total regulatory capital requirement @ 8.5% | 13.2 | | |
| <i>Comprising: Ordinary Equity</i> | <i>11.0</i> | | |
| <i>Hybrid</i> | <i>2.2</i> | | |
| Add: Surplus Ordinary Equity | 3.7 | | |
| Total APRA Basel III capital supply | 16.9 | | |

1. Business Group capital allocations are indicative and are based on allocations as at 30 Jun 16 adjusted for material movements over the Sep 16 quarter. 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. 10-year average covers FY07 to FY16, inclusively. 3. CAF returns prior to FY11 excluded from 10-year average as not meaningful given the significant increase in scale of CAF's platform over this period.

Medium-term



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| | |
|---------------|---|
| MAM | <ul style="list-style-type: none">• Annuity-style business that is diversified across regions, products, asset classes and investor types• Diversification of capabilities allows for the business to be well placed to grow assets under management in different market conditions• Well positioned for organic growth with several strongly performing products and an efficient operating platform |
| CAF | <ul style="list-style-type: none">• Leverage deep industry expertise to maximise growth potential in loan and lease portfolios• Anticipate further asset acquisitions and realisations at attractive return levels• Funding from asset securitisation throughout the cycle |
| BFS | <ul style="list-style-type: none">• Strong growth opportunities through intermediary distribution, white labelling, platforms and client service• Opportunities to increase financial services engagement with existing business banking clients and extend into adjacent segments• Modernising technology to improve client experience and support growth |
| MSG | <ul style="list-style-type: none">• Highly leveraged to market conditions and investor confidence, particularly in the Asia-Pacific region• Well positioned for recovery in Asian retail derivatives, cash equities and ECM• Monetise existing strong research platform |
| MacCap | <ul style="list-style-type: none">• Can expect to benefit from any improvement in M&A and ECM market activity• Continues to align the business offering to current opportunities and market conditions in each region |
| CFM | <ul style="list-style-type: none">• Opportunities to grow commodities business, both organically and through acquisition• Development of institutional coverage for specialised credit, rates and foreign exchange products• Increase financing activities• Growing the client base across all regions |



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Presentation to investors and analysts

Result announcement for the
half-year ended 30 September 2016

28 October 2016





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Detailed result commentary

Macquarie Asset Management Result



| | 1H17 \$Am | 2H16 \$Am | 1H16 \$Am |
|--|--------------|--------------|--------------|
| Base fees | 790 | 785 | 784 |
| Performance fees | 170 | 84 | 609 |
| Other fee and commission income | 104 | 118 | 124 |
| Investment and other income ¹ | 309 | 54 | 152 |
| Net operating income | 1,373 | 1,041 | 1,669 |
| Brokerage, commission and trading-related expenses | (97) | (115) | (104) |
| Other operating expenses | (419) | (421) | (413) |
| Total operating expenses | (516) | (536) | (517) |
| Non-controlling interests | - | - | (13) |
| Net profit contribution² | 857 | 505 | 1,139 |

| | | | |
|------------|-------|-------|-------|
| AUM (\$Ab) | 491.3 | 476.9 | 502.3 |
|------------|-------|-------|-------|

| | | | |
|-----------|-------|-------|-------|
| Headcount | 1,517 | 1,498 | 1,480 |
|-----------|-------|-------|-------|

- Base fees of \$A790m, broadly in line with 1H16
 - Benefited from investments made by MIRA-managed funds, growth in the MSIS Infrastructure Debt business and positive market movements in MIM
 - Largely offset by small net AUM outflows in MIM, asset realisations by MIRA-managed funds and FX impacts
- Performance fees of \$A170m, down 72% from a particularly strong 1H16
 - 1H17 includes fees from MQA, MKIF, Australian managed accounts and from co-investors in respect of infrastructure assets
- Other fee and commission income of \$A104m, down 16% on 1H16 primarily due to a reduction in income earned from True Index products
- Investment and other income of \$A309m, up significantly on 1H16 mainly due to increased investment realisations including:
 - Gains from the partial sale of MIRA's holding in MQA, gains on sale of unlisted real estate holdings in MIRA and income from the sell down of infrastructure debt in MSIS
 - Improved equity accounted income driven by gains on the sale of a number of assets in the current period and the non-recurrence of impairments in 1H16
- Total operating expenses of \$A516m, broadly in line with 1H16

1. Includes gains on disposal of equity investments and share of net gains of associates. 2. Management accounting profit before unallocated corporate costs, profit share and income tax.

Corporate and Asset Finance Result



| | 1H17 \$Am | 2H16 \$Am | 1H16 \$Am |
|--|--------------|--------------|--------------|
| Net interest and trading income ¹ | 354 | 388 | 460 |
| Net operating lease income | 467 | 486 | 379 |
| Impairments and provisions ² | (61) | (144) | (23) |
| Fee and commission income | 21 | 30 | 13 |
| Other income ³ | 54 | 100 | 34 |
| Net operating income | 835 | 860 | 863 |
| Total operating expenses | (315) | (342) | (252) |
| Non-controlling interests | 1 | 1 | - |
| Net profit contribution⁴ | 521 | 519 | 611 |
| <hr/> | | | |
| Loan and finance lease portfolio ⁵ (\$Ab) | 28.1 | 28.8 | 23.3 |
| Operating lease portfolio (\$Ab) | 10.0 | 10.6 | 9.2 |
| <hr/> | | | |
| Headcount | 1,347 | 1,353 | 903 |

- Net interest and trading income of \$A354m, down 23% on 1H16
 - Lower income due to timing of prepayments and realisations as well as lower loan volumes, resulted in reduced contribution from the Lending portfolio
 - Increased funding costs driven by the growth of the aircraft operating lease portfolio
 - Partially offset by the contribution from the acquisition of the Esanda dealer finance portfolio in Nov 15
- Net operating lease income of \$A467m, up 23% on 1H16
 - Primarily due to the AWAS portfolio acquisition during FY16
 - Down on 1H16 mainly due to FX impacts as well as reduced income following the sale of 8 aircraft in 1H17
- Impairments and provisions up on 1H16 due to portfolio growth primarily from the acquisition of the Esanda dealer finance portfolio and impairments of certain Aviation assets
- Other income of \$A54m up on 1H16 includes gain on sale of 8 aircraft
- Total operating expenses of \$A315m, up 25% on 1H16
 - Increased costs associated with the Esanda dealer finance portfolio

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. Includes investment and loan impairments. 3. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 4. Management accounting profit before unallocated corporate costs, profit share and income tax. 5. Includes equity portfolio of \$A0.3b (Mar 16: \$A0.3b, Sep 15: \$A0.2b)

Banking and Financial Services Result



| | 1H17 \$Am | 2H16 \$Am | 1H16 \$Am |
|---|--------------|--------------|--------------|
| Net interest and trading income ¹ | 498 | 485 | 456 |
| Fee and commission income | 256 | 244 | 282 |
| <i>Wealth management fee income</i> | <i>155</i> | <i>148</i> | <i>165</i> |
| <i>Banking fee income</i> | <i>74</i> | <i>70</i> | <i>67</i> |
| <i>Life insurance income</i> | <i>27</i> | <i>26</i> | <i>30</i> |
| <i>Other</i> | <i>-</i> | <i>-</i> | <i>20</i> |
| Gain on disposal of businesses | 192 | - | - |
| Impairments and provisions ² | (78) | (29) | (14) |
| Other income | 11 | 28 | 12 |
| Net operating income | 879 | 728 | 736 |
| Total operating expenses | (618) | (548) | (566) |
| Net profit contribution³ | 261 | 180 | 170 |
| Funds on platform (\$Ab) | 62.1 | 58.4 | 46.7 |
| Australian loan portfolio ⁴ (\$Ab) | 35.6 | 35.1 | 34.2 |
| Legacy loan portfolio ⁵ (\$Ab) | 0.6 | 1.6 | 2.6 |
| BFS deposits (\$Ab) | 42.2 | 40.4 | 38.7 |
| Headcount ⁶ | 1,959 | 2,182 | 2,250 |

- Net interest and trading income of \$A498m, up 9% on 1H16
 - Volume growth in the Australian loan and deposit portfolio driven by growth in business lending (+8%), Australian mortgages (+4%) and deposits (+9%) on 1H16
 - Average net margins on deposits unfavourably impacted by the RBA interest rate cuts
- Fee and commission income of \$A256m, down 9% on 1H16
 - Wealth management fee income down 6% on 1H16 mainly due to lower advisor headcount and market movements, partially offset by increased platform commissions
 - Banking fee income up 10% on 1H16 driven by volume growth in lending and deposits
 - Other fee and commission income in 1H16 included a \$A20m performance fee
- Gain on disposal of businesses of \$A192m
 - Includes gain on sale of Macquarie Life's risk insurance business to Zurich Australia Limited partly offset by losses on the sale of US mortgages portfolio
- Impairments and provisions of \$A78m, up on 1H16
 - Predominately due to the underperformance of certain equity positions, impairment of intangibles relating to the Core Banking platform, as well as specific loan impairments
- Total operating expenses of \$A618m, up 9% on 1H16 mainly due to elevated project activity as well as a change in approach to the capitalisation of software expenses in relation to the Core Banking platform

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury and deposit premium paid to BFS by Group Treasury for the generation of deposits, that are eliminated on consolidation in the Group's statutory P&L. 2. Includes investment and loan impairments. 3. Management accounting profit before unallocated corporate costs, profit share and income tax. 4. The Australian loan portfolio comprises residential mortgages, loans to Australian businesses, insurance premium funding and credit cards. 5. The legacy loan portfolios primarily comprise residential mortgages in Canada and the US. 6. Headcount at 30 Sep 16 excludes 97 staff relating to the sale of Macquarie Life's risk insurance business.

Macquarie Securities Result



| | 1H17 \$Am | 2H16 \$Am | 1H16 \$Am |
|--|--------------|--------------|--------------|
| Brokerage and commissions | 274 | 284 | 311 |
| Net interest and trading income ¹ | 161 | 165 | 375 |
| Underwriting fee income | 31 | 47 | 60 |
| Other fee and commission income/(expense) | 8 | (6) | (2) |
| Impairments, provisions and other income | 7 | 11 | (20) |
| Internal management charge ² | 2 | 1 | (6) |
| Net operating income | 483 | 502 | 718 |
| Brokerage, commission and trading-related expenses | (102) | (93) | (115) |
| Other operating expenses | (363) | (381) | (363) |
| Total operating expenses | (465) | (474) | (478) |
| Net profit contribution³ | 18 | 28 | 240 |

| | | | |
|-----------|-----|-------|-----|
| Headcount | 979 | 1,054 | 980 |
|-----------|-----|-------|-----|

- Brokerage and commissions of \$A274m, down 12% on 1H16
 - Market uncertainty impacted levels of client trading activity, particularly in Asia
- Net interest and trading income of \$A161m, down 57% on 1H16
 - 1H16 benefited from strong equity markets activity, particularly in China
 - Trading opportunities in 1H17 were limited due to market uncertainty
- Underwriting fee income of \$A31m, down 48% on 1H16
 - More subdued ECM activity in most key regions compared to 1H16
- Total operating expenses of \$A465m, down 3% on 1H16
 - Lower brokerage, commissions and trading-related expenses due to reduced trading-related activity

Macquarie Capital Result



| | 1H17 \$Am | 2H16 \$Am | 1H16 \$Am |
|--|--------------|--------------|--------------|
| Fee and commission income | 416 | 369 | 501 |
| Investment and other income | 224 | 328 | 113 |
| Net interest and trading income/(expense) ¹ | 11 | (15) | 31 |
| Impairments and provisions ² | (92) | (58) | (129) |
| Internal management revenue ³ | 10 | 15 | - |
| Net operating income | 569 | 639 | 516 |
| Total operating expenses | (375) | (363) | (346) |
| Non-controlling interests | 11 | 5 | - |
| Net profit contribution⁴ | 205 | 281 | 170 |

| Advisory and capital markets activity: | | | |
|--|-----|-----|-----|
| Number of transactions | 201 | 186 | 216 |
| Transactions value (\$Ab) | 65 | 60 | 120 |

| | | | |
|-----------|-------|-------|-------|
| Headcount | 1,149 | 1,213 | 1,157 |
|-----------|-------|-------|-------|

- Fee and commission income of \$A416m, down 17% on 1H16
 - Market conditions in all key regions in which Macquarie Capital operates were subdued in 1H17 with deal values down across M&A and ECM
 - Notwithstanding market conditions, Macquarie Capital retained or strengthened its market position in key markets, including Australia
- Investment and other income of \$A224m, up 98% on 1H16
 - Increased principal realisations primarily across ANZ and EMEA, predominately in technology, infrastructure and renewable energy sectors
 - Notable realisations of holdings in Takeaway.com, Link Administration Holdings Limited and the partial realisation of Tees Renewable Energy Plant
- Impairment charges of \$A92m, down 29% on 1H16
 - Relates to a small number of underperforming principal investments across a range of sectors and regions
- Total operating expenses of \$A375m, up 8% on 1H16
 - Increased operating expenses arising from increased principal activity and changes in business operations in 1H17

Commodities and Financial Markets Result



| | 1H17 \$Am | 2H16 \$Am | 1H16 \$Am |
|--|--------------|--------------|--------------|
| Commodities ¹ | 505 | 732 | 583 |
| <i>Risk management products</i> | 321 | 474 | 345 |
| <i>Lending and financing</i> | 142 | 144 | 148 |
| <i>Inventory management, transport and storage</i> | 42 | 114 | 90 |
| Credit, interest rates and foreign exchange ¹ | 269 | 184 | 246 |
| Fee and commission income | 134 | 111 | 117 |
| Investment and other income | 152 | 11 | 41 |
| Impairments and provisions ² | (58) | (154) | (176) |
| Net operating income | 1,002 | 884 | 811 |
| Brokerage, commission and trading-related expenses | (103) | (123) | (112) |
| Other operating expenses | (426) | (467) | (417) |
| Total operating expenses | (529) | (590) | (529) |
| Non-controlling interests | (1) | - | - |
| Net profit contribution³ | 472 | 294 | 282 |
| Headcount | 943 | 958 | 986 |

- Commodities income of \$A505m, down 13% on 1H16
 - Risk management products down 7% on 1H16, which benefited from higher levels of client activity due to heightened volatility across a number of commodities, particularly oil
 - Lending and financing down 4% on 1H16 as an increase in income from higher working capital financing volumes provided by Energy Markets was offset by a reduction in income from residual MEC portfolios being wound down
 - Inventory management, transport and storage reduced profitability from price dislocations in US gas market as well as volatility associated with the timing of income
- Credit, interest rate and foreign exchange income of \$A269m, up 9% on 1H16
 - Increased contributions from the foreign exchange and interest rates markets due to ongoing market volatility
 - Improved performance of high yield debt markets and increased asset backed securitisation activity in Northern Hemisphere
- Fee and commission income of \$A134m, up 15% on 1H16
 - Increased volumes executed in global futures markets driven by new clients and ongoing market volatility as a result of geopolitical events
- Investment and other income of \$A152m, up significantly on 1H16
 - Gains on sale of a number of investments, mainly in energy and related sectors
- Impairments and provisions of \$A58m, down 67% on 1H16
 - Reduction in exposure to underperforming commodity-related loans and a reduction in the residual MEC equity investment portfolio
- Total operating expenses of \$A529m, in line with 1H16
 - Lower employment expenses and brokerage, commission and trading-related expenses offset by the impact of increasing costs of regulation and other expenses



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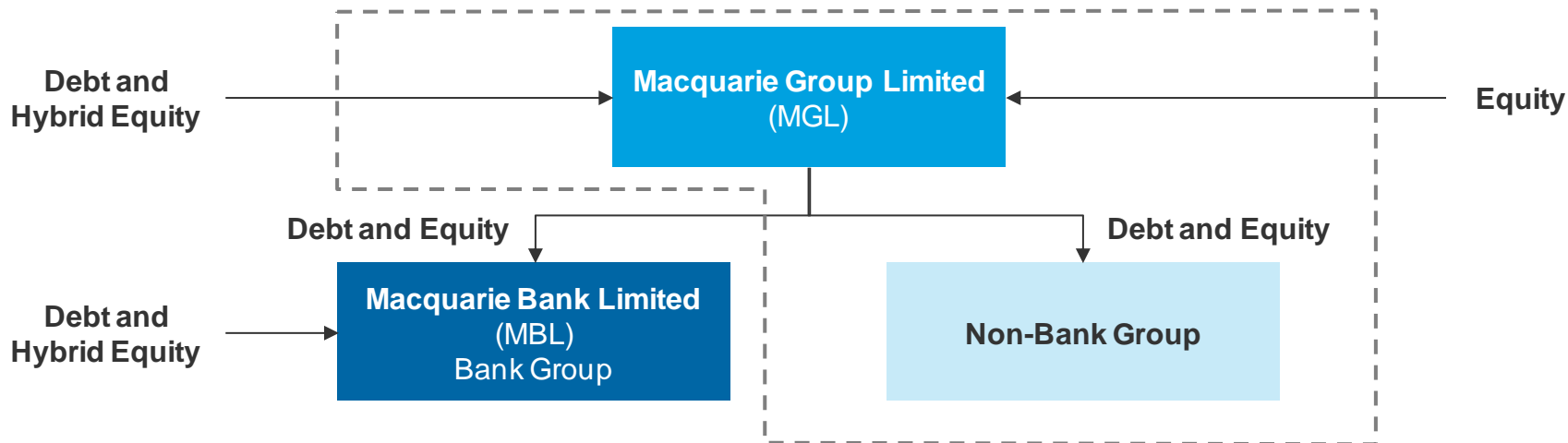


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Additional information
Funding

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
- MGL provides funding predominately to the Non-Bank Group





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Funded balance sheet reconciliation

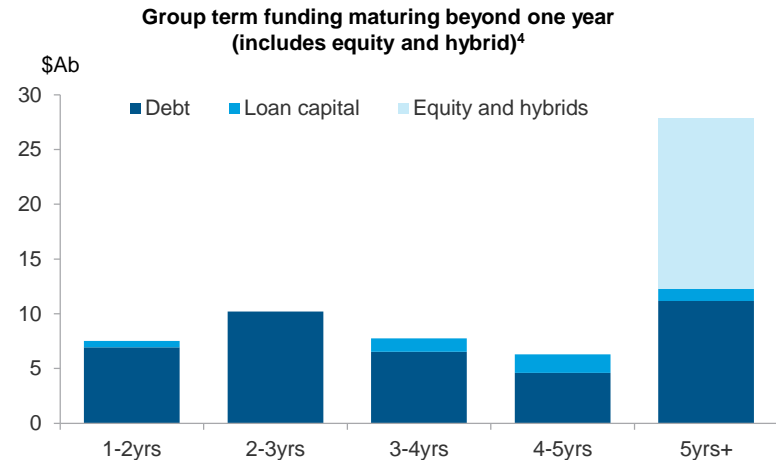
- The Group's statement of financial position is prepared based on generally accepted accounting principles which do not represent actual funding requirements
- A funded balance sheet reconciliation has been prepared to reconcile the reported assets of the consolidated Group to the assets that require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

| | Sep 16 \$Ab | Mar 16 \$Ab | Sep 15 \$Ab |
|---|----------------|----------------|----------------|
| Total assets per Statement of Financial Position | 193.1 | 196.8 | 209.1 |
| <i>Accounting deductions:</i> | | | |
| Self funded trading assets | (21.1) | (16.6) | (25.9) |
| Derivative revaluation accounting gross-ups | (12.5) | (14.4) | (19.8) |
| Life investment contracts and other segregated assets | (9.4) | (8.4) | (8.5) |
| Outstanding trade settlement balances | (7.0) | (5.8) | (8.8) |
| Short-term working capital assets | (7.0) | (5.6) | (5.8) |
| <i>Less non-recourse funded assets:</i> | | | |
| Securitised assets and non-recourse warehouses | (13.7) | (15.0) | (16.6) |
| Total assets per Funded Balance Sheet | 122.4 | 131.0 | 123.7 |

Funding for the Group

| | Sep 16 \$Ab | Mar 16 \$Ab | Sep 15 \$Ab |
|---|----------------|----------------|----------------|
| Funding sources | | | |
| Negotiable certificates of deposits | 0.5 | 0.4 | 0.7 |
| Commercial paper | 6.8 | 8.9 | 10.8 |
| Net trade creditors | - | 1.7 | 1.0 |
| Structured notes | 3.7 | 3.4 | 3.1 |
| Secured funding | 4.0 | 4.6 | 5.4 |
| Bonds | 35.3 | 38.2 | 35.2 |
| Other loans | 0.7 | 0.4 | 0.6 |
| Syndicated loan facilities ¹ | 4.9 | 5.9 | 3.1 |
| Customer deposits | 46.1 | 43.6 | 42.8 |
| Loan capital ² | 4.9 | 5.2 | 5.8 |
| Equity and hybrids ³ | 15.5 | 15.7 | 15.2 |
| Total funding sources¹ | 122.4 | 128.0 | 123.7 |
| Funded assets | | | |
| Cash and liquid assets ¹ | 20.4 | 27.4 | 28.2 |
| Self securitisation | 15.4 | 13.9 | 10.4 |
| Net trading assets | 23.8 | 21.1 | 23.3 |
| Loan assets including operating lease assets less than one year | 14.9 | 13.1 | 11.0 |
| Loan assets including operating lease assets greater than one year | 37.9 | 42.1 | 39.9 |
| Debt investment securities | 2.7 | 2.7 | 2.9 |
| Co-investment in Macquarie-managed funds and other equity investments | 5.3 | 6.0 | 6.2 |
| Property, plant & equipment and intangibles | 1.6 | 1.7 | 1.8 |
| Net trade debtors | 0.4 | - | - |
| Total funded assets¹ | 122.4 | 128.0 | 123.7 |

- Well diversified funding sources
- Minimal reliance on short term wholesale funding markets
- Deposit base represents 38% of total funding sources
- Term funding beyond one year (excluding equity) has a weighted average term to maturity of 4.5 years



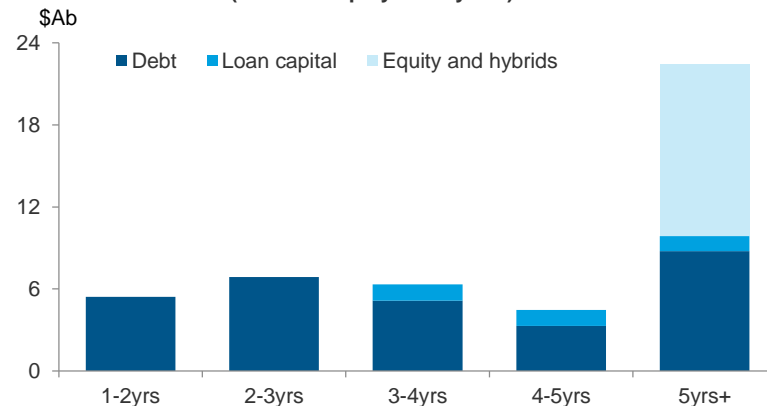
1. Mar 16 numbers adjusted for partial repayment of Esanda facility of \$A3.0b in Apr 16. 2. Sep 16 includes Macquarie Group Capital Notes 1 & 2 of \$A1.1b, Macquarie Bank Capital Notes of \$A0.4b and Exchangeable Capital Securities of \$A0.3b.
 3. Sep 16 Includes Ordinary Capital, Macquarie Income Securities of \$A0.4b. 4. Includes drawn term funding facilities only.

Funding for the Bank Group

| | Sep 16 \$Ab | Mar 16 \$Ab | Sep 15 \$Ab |
|---|----------------|----------------|----------------|
| Funding sources | | | |
| Negotiable certificates of deposits | 0.5 | 0.4 | 0.7 |
| Commercial paper | 6.8 | 8.9 | 10.8 |
| Net trade creditors | - | 1.4 | 1.1 |
| Structured notes | 3.3 | 3.0 | 2.6 |
| Secured funding | 3.9 | 4.5 | 5.3 |
| Bonds | 26.8 | 29.8 | 26.2 |
| Other loans | 0.4 | 0.2 | 0.2 |
| Syndicated loan facilities ¹ | 2.5 | 3.0 | - |
| Customer deposits | 46.1 | 43.6 | 42.8 |
| Loan capital ² | 3.8 | 4.1 | 4.6 |
| Equity and hybrids ³ | 12.5 | 12.7 | 11.9 |
| Total funding sources¹ | 106.6 | 111.6 | 106.2 |
| Funded assets | | | |
| Cash and liquid assets ¹ | 18.7 | 25.9 | 26.5 |
| Self securitisation | 15.4 | 13.9 | 10.4 |
| Net trading assets | 23.3 | 20.4 | 22.4 |
| Loan assets including operating lease assets less than one year | 14.4 | 12.5 | 10.7 |
| Loan assets including operating lease assets greater than one year | 37.1 | 41.1 | 38.4 |
| Debt investment securities | 2.0 | 2.2 | 2.4 |
| Non-Bank Group deposit with MBL | (5.2) | (6.2) | (6.3) |
| Co-investment in Macquarie-managed funds and other equity investments | 0.8 | 1.1 | 1.1 |
| Property, plant & equipment and intangibles | 0.6 | 0.7 | 0.6 |
| Net trade debtors | (0.5) | - | - |
| Total funded assets¹ | 106.6 | 111.6 | 106.2 |

- Bank balance sheet remains liquid, well capitalised and with a diversity of funding sources
- Term funding beyond one year (excluding equity) has a weighted average term to maturity of 4.4 years
- Accessed term funding in markets including US, Europe and Australia as well as opening new markets.

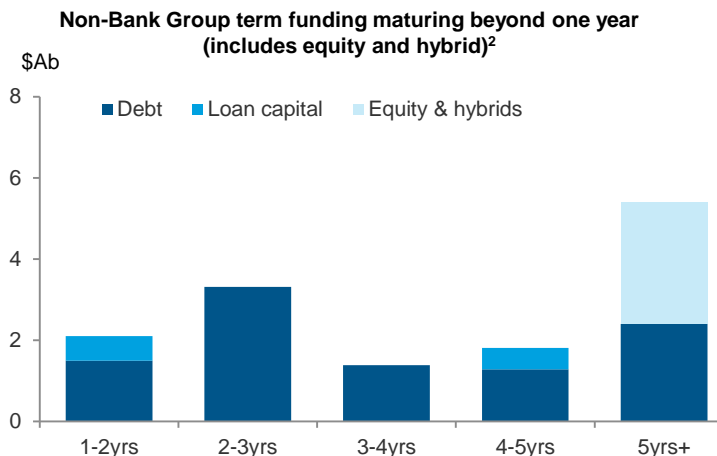
**Bank Group term funding maturing beyond one year
(includes equity and hybrid)⁴**



Funding for the Non-Bank Group

| | Sep 16 \$Ab | Mar 16 \$Ab | Sep 15 \$Ab |
|---|----------------|----------------|----------------|
| Funding sources | | | |
| Net trade creditors | - | 0.3 | (0.1) |
| Structured notes | 0.4 | 0.4 | 0.5 |
| Secured funding | 0.1 | 0.1 | 0.1 |
| Bonds | 8.5 | 8.4 | 9.0 |
| Other loans | 0.3 | 0.2 | 0.4 |
| Syndicated loan facilities | 2.4 | 2.9 | 3.1 |
| Loan capital ¹ | 1.1 | 1.1 | 1.2 |
| Equity | 3.0 | 3.0 | 3.3 |
| Total funding sources | 15.8 | 16.4 | 17.5 |
| Funded assets | | | |
| Cash and liquid assets | 1.7 | 1.5 | 1.7 |
| Non-Bank Group deposit with MBL | 5.2 | 6.2 | 6.3 |
| Net trading assets | 0.5 | 0.7 | 0.9 |
| Loan assets less than one year | 0.5 | 0.6 | 0.3 |
| Loan assets greater than one year | 0.8 | 1.0 | 1.5 |
| Debt investment securities | 0.7 | 0.5 | 0.5 |
| Co-investment in Macquarie-managed funds and other equity investments | 4.5 | 4.9 | 5.1 |
| Property, plant & equipment and intangibles | 1.0 | 1.0 | 1.2 |
| Net trade debtors | 0.9 | - | - |
| Total funded assets | 15.8 | 16.4 | 17.5 |

- Non-Bank Group is predominately term funded
- Term funding beyond one year (excluding equity) has a weighted average term to maturity of 4.6 years



Explanation of Funded Balance Sheet reconciling items



- **Self funded trading assets:** Macquarie enters into stock borrowing and lending as well as repurchase agreements and reverse repurchase agreements in the normal course of trading activity that it conducts with its clients and counterparties. Also as part of its trading activities, Macquarie pays and receives margin collateral on its outstanding derivative positions. These trading related asset and liability positions are presented gross on the statement of financial position but are viewed as being self funded to the extent that they offset one another and, therefore, are netted as part of this adjustment.
- **Derivative revaluation accounting gross-ups:** Macquarie's derivative activities are mostly client driven with client positions hedged by offsetting positions with a variety of counterparties. 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 Macquarie provides products such as investment-linked policy contracts or where Macquarie holds segregated client monies. The policy (contract) liability and client monies will be matched by assets held to the same amount and hence does not require funding.
- **Outstanding trade settlement balances:** At any particular time Macquarie will have outstanding trades to be settled as part of its brokering business and trading activities. These amounts (payables) can be offset in terms of funding by amounts that Macquarie is owed on other trades (receivables).
- **Short term working capital assets:** As with the outstanding trade 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 either requires or provides funding.
- **Securitised and non-recourse assets:** These represent assets that are funded by third parties with no recourse to Macquarie including lending assets (mortgages and leasing) sold down into external securitisation entities.

Conservative long standing liquidity risk management framework



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Liquidity Policy

- The key requirement of MGL and MBL's liquidity policies is that the entities are able to meet all liquidity obligations during a period of liquidity stress:
 - a minimum 12 month period with constrained access to funding markets and with only a limited impact on franchise businesses
- Term assets are funded by term funding, stable deposits and equity

Liquidity Framework

- A robust liquidity risk management framework ensures that both MGL and MBL are able to meet their funding requirements as they fall due under a range of market conditions. Key tools include:
 - Liability driven approach to balance sheet management
 - Scenario analysis
 - Maintenance of unencumbered liquid asset holdings
- Liquidity management is performed centrally by Group Treasury, with oversight from the Asset and Liability Committee and the Risk Management Group
- The Boards of each entity approve their respective liquidity policy and are provided with liquidity reporting on a monthly basis



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Additional information
Capital

Macquarie Group Basel III regulatory capital Surplus calculation



| 30 September 2016 | Harmonised Basel III \$Am | APRA Basel III \$Am | |
|---|---------------------------------|---------------------------|----------------|
| Macquarie Group eligible capital: | | | |
| Bank Group Gross Tier 1 capital | 13,043 | 13,043 | |
| Non-Bank Group eligible capital | 3,865 | 3,865 | |
| Eligible capital | 16,908 | 16,908 | (a) |
| Macquarie Group capital requirement: | | | |
| Bank Group capital requirement | | | |
| Risk-Weighted Assets (RWA) ¹ | 91,320 | 93,068 | |
| Capital required to cover RWA ² | 7,762 | 7,911 | |
| Tier 1 deductions | 417 | 2,250 | |
| Total Bank Group capital requirement | 8,179 | 10,161 | |
| Total Non-Bank Group capital requirement | 3,013 | 3,013 | |
| Total Macquarie Group capital requirement (at 8.5% ² of the Bank Group RWA) | 11,192 | 13,174 | (b) |
| Macquarie Group regulatory capital surplus (at 8.5%² of the Bank Group RWA) | 5,716 | 3,734 | (a)-(b) |

Macquarie Group APRA Basel III regulatory capital

Bank Group contribution



| 30 September 2016 | Risk-weighted assets \$Am | Tier 1 Deductions \$Am | Capital Requirement ¹ \$Am |
|--|------------------------------|---------------------------|--|
| Credit risk | | | |
| On balance sheet | 62,796 | | 5,338 |
| Off balance sheet | 15,798 | | 1,343 |
| Credit risk total² | 78,594 | | 6,681 |
| Market risk | 4,298 | | 365 |
| Operational risk | 9,531 | | 810 |
| Interest rate risk in the banking book | 645 | | 55 |
| Tier 1 deductions | | 2,250 | 2,250 |
| Contribution to Group capital calculation² | 93,068 | 2,250 | 10,161 |

Macquarie Group regulatory capital

Non-Bank Group contribution



- 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-Bank 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 III regulatory capital framework for Banks, with both calculating capital at a one year 99.9% confidence level:

| Risk ¹ | Basel III | ECAM |
|--------------------|---|---|
| Credit | Capital requirement generally determined by Basel III IRB formula, with some parameters specified by the regulator (e.g. loss given default) | Capital requirement generally determined by Basel III IRB formula, but with internal estimates of key parameters |
| Equity | Harmonised Basel III: 250%, 300% or 400% risk weight, depending on the type of investment ² . Deduction from Common Equity Tier 1 above a threshold APRA Basel III: 100% Common Equity Tier 1 deduction | Extension of Basel III credit model to cover equity exposures. Capital requirement between 36% and 82% of face value; average 49% |
| Market | 3 times 10 day 99% Value at Risk (VaR) plus 3 times 10-day 99% Stressed VaR plus a specific risk charge | Scenario-based approach |
| Operational | Advanced Measurement Approach | Advanced Measurement Approach |

1. The ECAM also covers insurance underwriting risk, 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. Includes all Banking Book equity investments, plus net long Trading Book holdings in financial institutions.

Macquarie Group regulatory capital

Non-Bank Group contribution



| 30 September 2016 | Assets \$Ab | Capital Requirement \$Am | Equivalent Risk Weight |
|--|----------------|--------------------------------|---------------------------|
| Funded assets | | | |
| Cash and liquid assets | 1.7 | 22 | 16% |
| Loan assets | 1.3 | 138 | 133% |
| Debt investment securities | 0.7 | 73 | 131% |
| Co-investments in Macquarie-managed funds and other equity investments | 4.2 | 1,963 | 589% |
| Co-investments in Macquarie-managed funds and other equity investments (relating to investments that hedge DPS plan liabilities) | 0.3 | | |
| Property, plant and equipment and intangibles | 1.0 | 253 | 316% |
| Non-Bank Group deposit with MBL | 5.2 | | |
| Net trading assets | 0.5 | | |
| Net trading debtors | 0.9 | | |
| Total funded assets | 15.8 | 2,449 | |
| Self-funded and non-recourse assets | | | |
| Self funded trading assets | 0.8 | | |
| Outstanding trade settlement balances | 4.2 | | |
| Short-term working capital assets | 3.8 | | |
| Total self-funded and non-recourse assets | 8.8 | | |
| Total Non-Bank Group assets | 24.6 | | |
| Off balance sheet exposures, operational, market and other risks, and diversification offset ¹ | | 564 | |
| Non-Bank Group capital requirement | | 3,013 | |

1. Capital associated with net trading assets (including market risk capital) and net trade debtors has been included here.



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Glossary

Glossary



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| | |
|-------------------|--|
| \$A / AUD | Australian Dollar |
| \$C / CAD | Canadian Dollar |
| \$US / USD | United States Dollar |
| £ / GBP | British Pound |
| € | Euro |
| 1H15 | Half-Year ended 30 September 2014 |
| 1H16 | Half-Year ended 30 September 2015 |
| 1H17 | Half-Year ended 30 September 2016 |
| 2H15 | Half-Year ended 31 March 2015 |
| 2H16 | Half-Year ended 31 March 2016 |
| 2H17 | Half-Year ended 31 March 2017 |
| ABN | Australian Business Number |
| ANZ | Australia and New Zealand |
| Approx. | Approximately |
| APRA | Australian Prudential Regulation Authority |
| AUM | Assets Under Management |
| AVS | Available For Sale |
| BCBS | Basel Committee on Banking Supervision |
| BFS | Banking and Financial Services |
| CAF | Corporate and Asset Finance |

| | |
|-------------|---------------------------------------|
| CCB | Capital Conservation Buffer |
| CCP | Central Counterparty |
| CET1 | Common Equity Tier 1 |
| CFM | Commodities and Financial Markets |
| CLF | Committed Liquid Facility |
| CMA | Cash Management Account |
| CMBS | Commercial Mortgage-Backed Securities |
| CRM | Customer Relationship Management |
| CY15 | Calendar Year ending 31 December 2015 |
| CY16 | Calendar Year ending 31 December 2016 |
| DCM | Debt Capital Markets |
| DPS | Dividend Per Share |
| DRP | Dividend Reinvestment Plan |
| DTA | Deferred Tax Asset |
| ECAM | Economic Capital Adequacy Model |
| ECM | Equity Capital Markets |
| EMEA | Europe, the Middle East and Africa |
| EPS | Earnings Per Share |
| FX | Foreign Exchange |
| FY07 | Full Year ended 31 March 2007 |

Glossary



| | |
|----------------|--------------------------------|
| FY08 | Full Year ended 31 March 2008 |
| FY09 | Full Year ended 31 March 2009 |
| FY11 | Full Year ended 31 March 2011 |
| FY13 | Full Year ended 31 March 2013 |
| FY14 | Full Year ended 31 March 2014 |
| FY15 | Full Year ended 31 March 2015 |
| FY16 | Full Year ending 31 March 2016 |
| FY17 | Full Year ending 31 March 2017 |
| HQLA | Highly Quality Liquid Assets |
| IPO | Initial Public Offering |
| IRB | Internal Ratings-Based |
| IT | Information Technology |
| JV | Joint Venture |
| LBO | Leveraged Buyout |
| LCR | Liquidity Coverage Ratio |
| LNG | Liquefied Natural Gas |
| LP | Limited Partner |
| Ltd | Limited |
| M&A | Mergers and Acquisitions |
| MacCap | Macquarie Capital |

| | |
|------------------|--|
| MAM | Macquarie Asset Management |
| MBL | Macquarie Bank Limited |
| MEC | Macquarie Energy Capital |
| MEIF1 | Macquarie European Infrastructure Fund 1 |
| MEREP | Macquarie Group Employee Retained Equity Plan |
| MGL / MQG | Macquarie Group Limited |
| MKIF | Macquarie Korea Infrastructure Fund |
| MIC | Macquarie Infrastructure Corporation |
| MIDIS | Macquarie Infrastructure Debt Investment Solutions |
| MIIF | Macquarie International Infrastructure Fund |
| MIM | Macquarie Investment Management |
| MIRA | Macquarie Infrastructure and Real Assets |
| MPW | Macquarie Private Wealth |
| MQA | Macquarie Atlas Roads |
| MSG | Macquarie Securities Group |
| MSIS | Macquarie Specialised Investment Solutions |
| Mths | Months |
| MW | Mega Watt |
| NGLs | Natural gas liquids |
| No. | Number |

Glossary



| | |
|----------------|---|
| NPAT | Net Profit After Tax |
| NPC | Net Profit Contribution |
| NSFR | Net Stable Funding Ratio |
| P&L | Profit and Loss Statement |
| PCP | Prior Corresponding Period |
| PPE | Property, Plant and Equipment |
| PPP | Public Private Partnership |
| RBA | Reserve Bank of Australia |
| REIT | Real Estate Investment Trust |
| ROE | Return on Equity |
| RWA | Risk Weighted Assets |
| SBI | State Bank of India |
| SGX | Singapore Exchange |
| SME | Small and Medium Enterprise |
| SMSF | Self Managed Super Fund |
| ST | Short Term |
| TMET | Telecommunications, Media, Entertainment and Technology |
| UK | United Kingdom |
| US | United States of America |
| VaR | Value at Risk |
| yr | Year |



MACQUARIE

Presentation to investors and analysts

Result announcement for the
half-year ended 30 September 2016

28 October 2016

