



Presentation to investors and analysts

Result announcement for the
half year ended 30 September 2014

31 October 2014

Disclaimer



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Unless otherwise specified all information is for the half year ended 30 September 2014.

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

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

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

Agenda



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|-----|---|
| 01. | Introduction – Karen Khadi |
| 02. | Overview of Result – Nicholas Moore |
| 03. | Result Analysis and Financial Management – Patrick Upfold |
| 04. | Outlook – Nicholas Moore |
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MACQUARIE



01

Introduction

Karen Khadi

Head of Investor Relations



MACQUARIE

02

Overview of Result

Nicholas Moore

Managing Director and Chief Executive Officer



About Macquarie

Building for the long term



Macquarie Funds	<ul style="list-style-type: none"> • Top 50 global asset manager with \$A423b¹ 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 \$A27.5b¹ of loans and assets under finance • 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	<ul style="list-style-type: none"> • Global institutional securities house with strong Asia-Pacific foundations covering sales, research, ECM, execution and derivatives activities • Full-service cash equities in Australia, Asia, South Africa and Canada with specialised offerings in US and Europe. Specialised derivatives offerings in key locations globally • Key specialities: Infrastructure and Utilities, TMET, Resources (mining and energy), Industrials and Financial Institutions
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: Infrastructure, Utilities and Renewables; Resources (mining and energy); Real Estate; TMET; Industrials and Financial Institutions
Fixed Income, Currencies and Commodities	<ul style="list-style-type: none"> • Global fixed income, currencies and commodities provider of finance, risk solutions and market access to producers/consumers and financial institutions/investors • Growing presence in commodities (natural gas, LNG, NGLs, power, oil, coal, base metals, iron ore, sugar and freight) • Predominant in US and Australia, niche offering in Canada and Latin America, growing presence in Asia and EMEA • Specialities: commodities, Asian and emerging markets, high yield and distressed debt

1H15 Result



- Net profit \$A678m, up 35% on 1H14 and down 11% on 2H14
 - Increase on 1H14 stronger than previously expected given the timing of transactions
- Operating income \$A4.3b, up 17% on 1H14 and down 3% on 2H14
- As foreshadowed:
 - Macquarie's annuity-style businesses (Macquarie Funds Group, Corporate and Asset Finance, and Banking and Financial Services) continued to perform well with 1H15 combined net profit contribution¹ up 38% on 1H14 and up 23% on 2H14
 - Macquarie's capital markets facing businesses' (Macquarie Securities, Macquarie Capital, and Fixed Income, Currencies and Commodities) combined net profit contribution up 11% on 1H14 and down 43% on a 2H14 which benefited from strong results in the Energy Markets business
- Operating expenses \$A3.2b, up 11% on 1H14 and in line with 2H14
- Effective tax rate 38.9% up from 38.0% in 1H14 and down from 40.5% in 2H14
- Earnings per share \$A2.13, up 42% on 1H14 and down 9% on 2H14
- Annualised return on equity 12.5%, up from 8.7% in 1H14 and down from 13.5% in 2H14
- 1H15 dividend \$A1.30 (40% franked), up on 1H14 dividend of \$A1.00 (40% franked) and down on 2H14 dividend of \$A1.60 (40% franked)²

1. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. 2. In addition, in 2H14 eligible shareholders benefitted from the SYD distribution in Jan 14 which comprised a special dividend of \$A1.16 (40% franked) and a return of capital of \$A2.57 per share.

1H15 Result



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

Earnings per share

1H15 \$Am	2H14 \$Am	1H14 \$Am
4,298	4,453	3,679
(3,177)	(3,157)	(2,869)
1,121	1,296	810
(432)	(520)	(307)
(11)	(12)	(2)
678	764	501

\$A2.13	\$A2.35	\$A1.50
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1H15 v 1H14
↑ 17%
↑ 11%
↑ 38%
↑ 41%
↑ 35%
↑ 42%

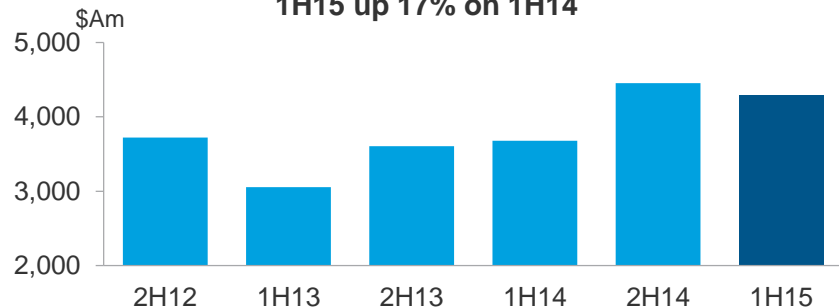
Financial performance



MACQUARIE

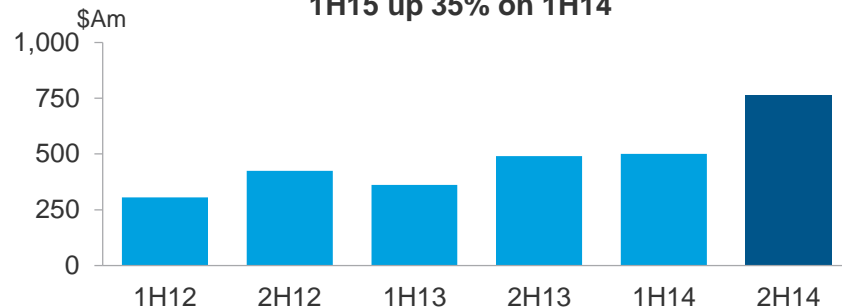
1H15 Operating income of \$A4,298m

1H15 up 17% on 1H14



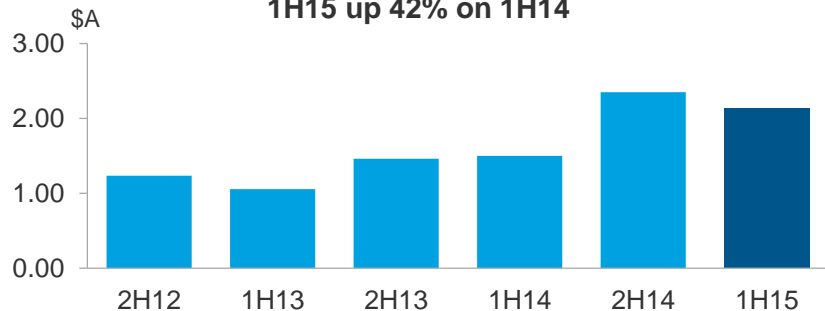
1H15 Profit of \$A678m

1H15 up 35% on 1H14



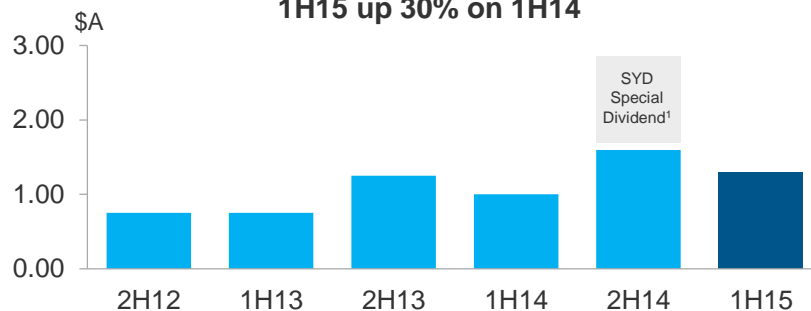
1H15 EPS of \$A2.13

1H15 up 42% on 1H14



1H15 DPS of \$A1.30

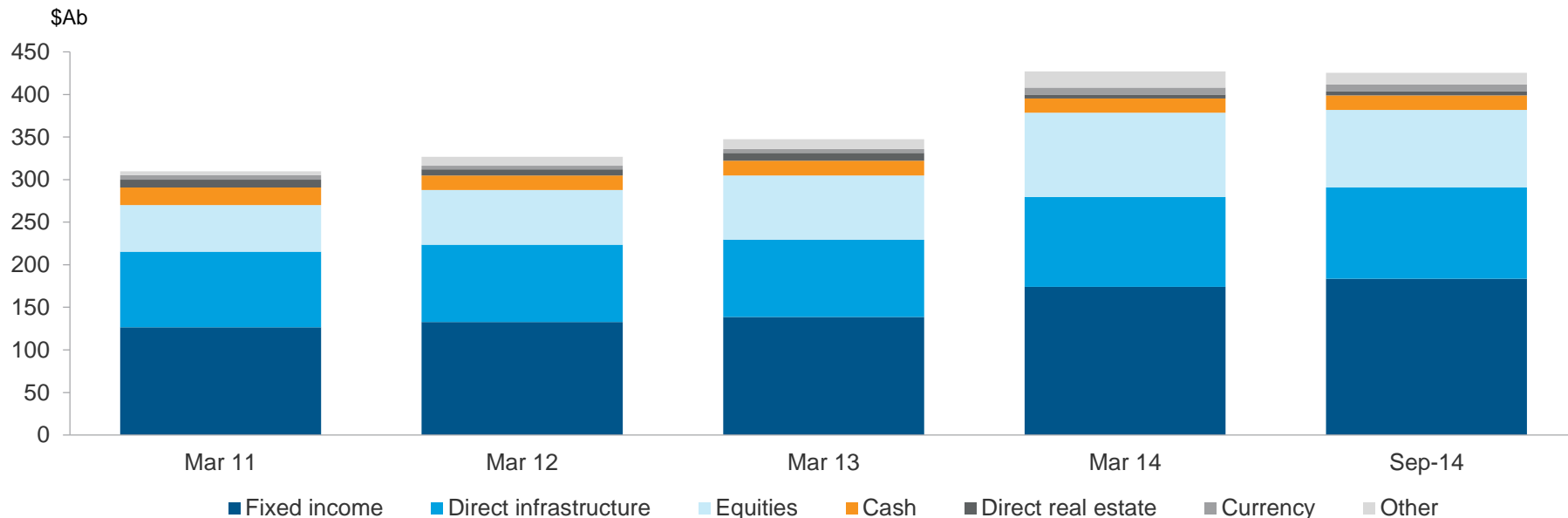
1H15 up 30% on 1H14



1. In 2H14 eligible shareholders benefitted from the SYD distribution in Jan 14 which comprised a special dividend of \$A1.16 (40% franked) and a return of capital of \$A2.57 per share.

Assets under management of \$A425 billion¹

- AUM broadly in line with 31 Mar 14 with favourable currency and market movements, as well as fund raisings and investments in the infrastructure and real assets business offset by the impact of the formation of the Jackson Square Partners joint venture and the management buyout of the MIM Private Markets business



Diversified by region

International income 65% of total income¹

Total staff 14,138; International staff 53% of total



Europe, Middle East & Africa²

Income: \$A1,049m (25% of total)

Staff: 1,335

Europe

Amsterdam
Dublin
Frankfurt
Geneva
Glasgow
London
Luxembourg
Moscow
Munich
Paris
Vienna
Zurich

Middle East

Abu Dhabi
Dubai

South Africa

Cape Town
Johannesburg

Asia

Income: \$A419m (10% of total)

Staff: 3,462

Asia

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

Australia

Adelaide
Albury
Brisbane
Canberra
Gold Coast
Melbourne
Perth
Sunshine Coast
Sydney

New Zealand

Auckland
Christchurch
Wellington

Australia³

Income: \$A1,451m (35% of total)

Staff: 6,635

Americas

Income: \$A1,272m (30% of total)

Staff: 2,706

Canada

Calgary
Montreal
Greater Toronto
Vancouver

USA

Atlanta
Austin
Boston
Chicago
Denver
Detroit
Houston
Irvine
Los Angeles

Miami
Nashville
New York
Philadelphia
Rolling Meadows
San Diego
San Francisco
San Jose

Latin America

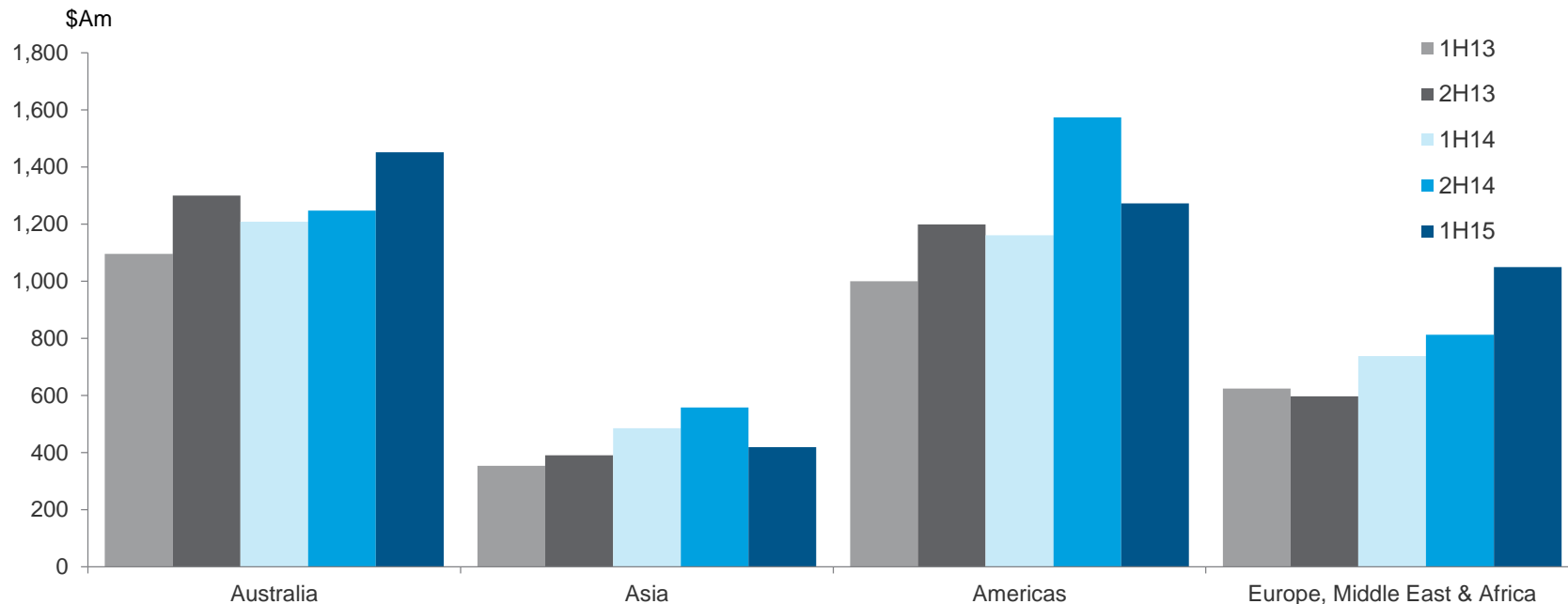
Mexico City
Ribeirao Preto
Sao Paulo

Diversified income

Net operating income by region



- 65% of total income¹ in 1H15 was generated offshore
- FX has not had a material impact on the 1H15 result compared to both 1H14 and 2H14



1. Net operating income excluding earnings on capital and other corporate items.

Macquarie Funds

Operating income of \$A1,239m, up 37% on 1H14 and up 21% on 2H14

Net profit contribution of \$A785m, up 57% on 1H14 and up 42% on 2H14



AUM of \$A423b¹ up 11% on Sep 13 and broadly in line with Mar 14

Macquarie Infrastructure and Real Assets	Macquarie Investment Management	Macquarie Specialised Investment Solutions
<ul style="list-style-type: none"> • Raised \$A4.1b in new equity commitments, including: <ul style="list-style-type: none"> – A further \$US840m for Macquarie Infrastructure Partners III, which closed with \$US3.0b in commitments – \$A1.5b in listed equity raisings, including \$US906m for Macquarie Infrastructure Company (MIC) and \$US367m for Macquarie Mexican REIT • Invested \$A3.4b in equity across 15 acquisitions in 9 countries, including: <ul style="list-style-type: none"> – Oil storage in the US and Philippines – Water and solar in China – Telecommunications in Slovakia and Mexico – Power in India – Agriculture in Australia • Divested 8 managed assets of \$A2.4b², including infrastructure in Europe and the US • Strong performance fees of \$A364m predominantly from Macquarie European Infrastructure Fund 1, MIC and Macquarie Atlas Roads • \$A9.0b of equity to deploy at Sep 14 • Recognised as world's largest manager of infrastructure and second largest manager of pension fund assets invested in alternatives³ 	<ul style="list-style-type: none"> • AUM broadly in line with Mar 14: <ul style="list-style-type: none"> – Formation of the Jackson Square Partners JV and management buyout of the MIM Private Markets business was offset by favourable FX and market movements – Adjusting for these new business changes, AUM increased 7% – Record Delaware Investments retail and fixed income AUM • Strong performance across a range of asset classes relative to industry benchmarks and peers, with the majority of funds outperforming their benchmarks over three years • MIM's Quant Hedge Funds division launched the Macquarie China A Fund, representing MFMHK's⁴ first direct exposure to the China A-share market. It now manages RMB1.5b using an RQFII license and quota • Launched Asian All Stars and China All Stars on MIM's Luxembourg SICAV, and filled an additional \$US150m of new capacity in the Macquarie European Alpha Fund, following enhancements to the investment process • Continued to strengthen global distribution, managing \$A17.8b in cross-border AUM. Select distribution highlights include: <ul style="list-style-type: none"> – Australia: over \$A700m net wholesale Focus Fund inflows – Asia: received a Discretionary Investment Management license that allows MIM and MIRA to do direct business with Japanese pension funds – North America: \$US1.0b net mutual fund flows – Europe: Luxembourg SICAV vehicle now at \$US1.6b 	<ul style="list-style-type: none"> • Raised approx. \$A600m for Australian capital protected investments and specialist funds • Infrastructure debt management business awarded a new £200m mandate from a large UK corporate pension fund in addition to successfully closing a number of new investments for its clients

Corporate and Asset Finance

Operating income of \$A688m, up 19% on 1H14 and up 9% on 2H14

Net profit contribution of \$A468m, up 18% on 1H14 and up 9% on 2H14



Asset and loan portfolio of \$A27.5b up 12% on Sep 13 and up 8% on Mar 14¹

Corporate Lending	Asset Finance	
<ul style="list-style-type: none"> • Lending's funded loan portfolio totalled \$A10.0b² – up 13% on Sep 13 and up 12% on Mar 14, mainly due to net acquisitions • \$A2.0b of portfolio additions for 1H15, comprising: <ul style="list-style-type: none"> – \$A1.2b of new primary financings across corporate and real estate, weighted towards bespoke originations – \$A0.6b of corporate loans and similar assets acquired in the secondary market – \$A0.2b of commercial real estate loans acquired in the secondary market • Notable transactions included: <ul style="list-style-type: none"> – £77m financing of a portfolio of 47 hospitality properties on long term leases to Spirit – Provision of \$US150m financing to Vertex Pharmaceutical – €294m acquisition of a German residential mortgage portfolio • Asset quality remained sound and the portfolio continued to generate strong overall returns 	<ul style="list-style-type: none"> • Asset Finance portfolio totalled \$A17.5b – up 11% on Sep 13 and up 5% on Mar 14 • Continued to finance throughout the customer value chain – from manufacturer to end user: <ul style="list-style-type: none"> – Motor vehicle, equipment, technology, energy and mining sectors • Motor vehicle leasing portfolio of \$A8.6b – up 13% on Sep 13 and up 6.0% on Mar 14, total contracts in excess of 280,000 • Motor vehicle and equipment finance channels continued to expand, including additions to the dealer network • Established office in Glasgow to cater for growth in motor vehicle and equipment finance leasing opportunities 	<ul style="list-style-type: none"> • Aircraft leasing portfolio of \$A3.8b including Rotorcraft, up 10% on Sep 13 and up 10% on Mar 14 as a result of acquisitions made during the period and the impact of FX movements • Energy asset portfolio, including smart meters in the UK of \$A0.9b, remains in line with Mar 14 • Mining, Rail and Technology businesses continue to perform well and volumes remain in line with Mar 14
	Funding activity <ul style="list-style-type: none"> • Strong securitisation activity continued with \$A2.0b of motor vehicle and equipment leases and loans securitised during 1H15 • Continued use of diverse funding sources with 44% of the Asset Finance portfolio funded externally 	

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

1. FX movements accounted for 2% of growth in the asset and loan portfolio between Mar 14 and Sep 14. 2. Includes rundown RESF portfolio of \$A0.1b.

Banking and Financial Services

Operating income from continuing operations¹ of \$A665m, up 12% on 1H14 and up 7% on 2H14

Net profit contribution of \$A141m, up 27% on 1H14 and down 5% on 2H14



Australian client numbers 1.1 million

Personal Banking	Wealth Management	Business Banking
<ul style="list-style-type: none"> Serves Personal Banking customers through strong mortgage intermediary relationships and white-label arrangements, as well as direct Macquarie branded offerings <p>Activity</p> <ul style="list-style-type: none"> Australian mortgage portfolio of \$A19.8b, up 36% on Sep 13 and up 16% on Mar 14, representing approximately 1% of the Australian market Signed agreement as credit card issuing partner for Woolworths Money Everyday and Woolworths Money Qantas Credit Cards For the second year Macquarie ranked No. 1 in the Brokers on Non-Majors 2014 survey by Australian Broker Macquarie awarded iSelect's Partner of the Year and Home Loans Partner of the Year 2014 	<ul style="list-style-type: none"> Delivers products and services through institutional relationships, virtual adviser networks and dedicated direct relationships with our clients <p>Activity</p> <ul style="list-style-type: none"> Macquarie platform assets under administration \$A41.7b, up 10% on Sep 13 and up 3% on Mar 14 Macquarie Life Inforce risk premiums \$A207m, up 21% on Sep 13 and up 9% on Mar 14 Macquarie Private Wealth ASX retail turnover down 9% on 1H14 and up 9% on 2H14 Added separately managed accounts (SMAs) as an investment option on Macquarie Wrap, delivering further efficiencies to advisers and their clients Macquarie topped three categories in the SMSF Awards 2014 - Term Deposit Provider, Investment Platform Provider and Loan Provider² 	<ul style="list-style-type: none"> Serves business clients, ranging from sole practitioners to corporate professional firms, who we engage with through dedicated relationship managers <p>Activity</p> <ul style="list-style-type: none"> Average business banking deposit volumes up 23% on Sep 13 and up 13% on Mar 14 Average business banking loan volumes up 23% on Sep 13 and up 10% on Mar 14 Total business banking SME clients up 15% on Sep 13 and up 9% on Mar 14 Extended the breadth of payments and back-office services to key client segments

Deposits

- Total retail deposits of \$A35.3b** up 7% on Sep 13 and **up 6% on Mar 14**
- CMA balance of \$A20.4b** up 9% on Sep 13 and **up 9% on Mar 14**
- Macquarie named No.1 for Cash and Term Deposits in the Core Data SMSF Service Provider Awards 2014³

Note: Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. 1. Excludes MPW Canada from comparative periods which BFS exited in Nov 13. 2. SMSF Awards 2014, SMSFAdviser. 3. CoreData SMSF Service Provider Awards 2014 in two categories – SMSF members and SMSF advising financial planners and accountants.

Macquarie Private Wealth

Enforceable undertaking and client remediation update



Enforceable undertaking – progress since AGM (24 July 2014)

- Implementation on track with fourth and final phase progressing to schedule
- Roll out of advice platform, XPLAN, to all advisers largely complete
- Continued investment in new technology tools to support supervision and monitoring of advisers

Client remediation – progress since AGM

- All clients have been contacted to ensure they have the opportunity to raise concerns
 - Approx. 189,900¹ letters sent
 - Includes current and former clients dating back to March 2004, when Macquarie Equities Limited obtained its AFSL
- Client file review progressing
 - Based on consistent application of Financial Ombudsman Service principles
 - Remediation process publicly available on Macquarie's website. Involves review by two case managers, further review by panel of senior Macquarie representatives
 - Continued oversight by ASIC and Deloitte

1. Includes instances where multiple clients existed in some households.

Macquarie Securities

Operating income of \$A431m, broadly in line with both 1H14 and 2H14

Net profit contribution of \$A17m down 76% on 1H14 and down 53% on 2H14



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Market conditions	Australia	Asia	North America	EMEA
<ul style="list-style-type: none"> • Secondary cash market activity remained subdued with low volatility and low levels of client activity • Increased ECM activity across all regions, especially Australia versus 1H14 • Low volatility environment continued to result in low client demand for retail warrants across most of the Asian platform 	<ul style="list-style-type: none"> • Commissions up 15% on 1H14 and up 8% on 2H14 • Secondary market share 9.6% in 1H15, up from 8.7% in 1H14 and 8.8% in 2H14¹ • No.3 in Australian equity, equity linked and rights tables² • ECM market share of 15.9% in line with 1H14 and up from 11.4% in 2H14³ • During the current period Macquarie was a lead bookrunner on more IPOs listed on ASX than any other house 	<ul style="list-style-type: none"> • Commissions down 14% on 1H14 and down 8% on 2H14 • 1H15 saw lower client volumes and continued challenging market conditions across cash secondary markets • Secondary market share was up in Singapore and Japan versus 1H14, and up in Singapore, Philippines and Malaysia versus 2H14⁴ • No. 8 placed in All-Asia Research Team Survey⁵ • Top ranked in provision of algorithmic trading services in Asia⁶ • Ranked No.2 in Taiwan ETFs⁷ • ECM market share of 0.6% in 1H15, down from 1.3% in 1H14 and in line with 2H14³ • No.1 market share in listed warrants in Singapore⁴, No.3 in Thailand⁴ and No.7 in HK⁸ • Top 2 ranked GDR broker by market share across Taiwan, India, Indonesia and Philippines⁹ • Exited retail equity structured products business in Asia 	<ul style="list-style-type: none"> • US commissions down 8% on 1H14 and down 17% on 2H14 • Canadian commissions down 10% on 1H14 and in line with 2H14 • No. 5 in Canada for announced ECM oil and gas exploration and production, and royalty trust deals in 1H15³ 	<ul style="list-style-type: none"> • European commissions up 27% on 1H14 and up 6% on 2H14 • Wind-down of legacy business almost complete; 95% reduction in number of products under management • Exit of remaining European structured products

Note: Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. 1. IRESS - Institutional and retail market share. 2. Bloomberg league tables CYTD as at 30 Sep 14. 3. Dealogic. 4. Local Exchanges 5. Institutional Investor – 2014 All-Asia Research Team Survey. 6. The Trade Asia - Top Ranked for Asia-Based Clients – Long Only 2013. 7. Taiwan Stock Exchange. 8. Market share by NOIIP 'Net over intrinsic premium'. 9. Bloomberg (using rank function on the major names in each market for traded volumes excluding trading firms).

Macquarie Capital

Operating income of \$A439m, up 18% on 1H14 and broadly in line with 2H14

Net profit contribution of \$A150m up 49% on 1H14 and down 16% on 2H14



MACQUARIE

219 transactions valued at \$A63b in 1H15

(214 transactions valued at \$A28b in 1H14 and 258 transactions valued at \$A63b in 2H14)

Market conditions ¹	Australia and New Zealand	Asia	EMEA	Americas
<ul style="list-style-type: none"> • ANZ: M&A deal values up ~60% on 1H14, up ~40% on 2H14. ECM up ~75% on 1H14 and up ~20% on 2H14 • Asia ex Japan: M&A deal values up ~30% on 1H14, in line with 2H14. ECM up 95% on 1H14 and up ~35% on 2H14 • EMEA: M&A deal values down ~10% on 1H14, down ~20% on 2H14. ECM up ~75% on 1H14 and up ~10% on 2H14 • USA: M&A deal values down ~5% on 1H14, down 30% on 2H14. ECM up ~10% on 1H14, down ~5% on 2H14 • Canada: M&A deal values up ~5% on 1H14, down ~25% on 2H14 	<p>Awards/Rankings</p> <ul style="list-style-type: none"> • No.1 for both announced and completed M&A deals by number² • No.1 by number and value of IPOs³ • Best M&A House Australia 2014⁴ • Best Domestic Equity House Australia 2014⁵ <p>Notable Deals</p> <ul style="list-style-type: none"> • Joint financial adviser to QIC on the \$A7b sale of Queensland Motorways to a consortium comprising Transurban, AustralianSuper and Tawreed Investments Limited – the largest transport infrastructure M&A transaction ever in Australia • Joint Global Co-ordinator on the \$A3.6b IPO of Healthscope Limited - the largest IPO on ASX since 2010 	<p>Awards/Rankings</p> <ul style="list-style-type: none"> • M&A Transaction of the Year⁶ <p>Notable Deals</p> <ul style="list-style-type: none"> • Joint Sponsor, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager for the \$US1.2b (pre-greenshoe) IPO of China CNR Corporation Limited • Adviser on targeted investment of \$US1b through the strategic alliance between Piramal Enterprises Ltd and APG Asset Management focussed on mezzanine investments in Indian infrastructure companies • Adviser to Sompco Japan, a subsidiary of NKSJ Holdings, on the \$US967m acquisition of Canopus, a Lloyd's of London insurance group 	<p>Awards/Rankings</p> <ul style="list-style-type: none"> • Most Innovative Investment Bank 2014 - Project and Finance category⁷ <p>Notable Deals</p> <ul style="list-style-type: none"> • Adviser to KSBG, a consortium of seven German municipal utilities, on the structuring and arrangement of the €575m acquisition financing of STEAG and the issuance of a €300m+ promissory note • Adviser to Covanta Energy in relation to the financing of the approx.€500m Dublin Waste-to-Energy project. Macquarie provided senior and junior debt financing to the project • Co-Lead manager on the £413m IPO of OneSavings Bank plc, a portfolio company of JC Flowers 	<p>Notable Deals</p> <ul style="list-style-type: none"> • Adviser to Amaya Gaming Group Inc. on its \$US4.9b acquisition of Rational Group and joint bookrunner and joint lead arranger on its \$US2.9b senior secured credit facilities supporting the transaction • Adviser to Norbert Dentressangle on its \$US750m acquisition of Jacobson Companies • Joint bookrunner on two significant transactions for SunEdison – the \$US597m IPO of TerraForm Power, Inc. and the spin-off of SunEdison Semiconductor Ltd through a concurrent \$US219m IPO and private placement, and the raising of \$US260m senior secured credit facilities • Adviser to Surge Energy on the \$C429m acquisition of Longview Oil Corp

Note: Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. 1. Dealogic, based on estimates of deal values in USD, using Macquarie regions and Macquarie financial year extracted 30 Sep 14. 2. Dealogic, Thomson (CY14). 3. Dealogic, Thomson (CY14). 4. Euromoney (Jun 14). 5. Asiamoney (Jul 14). 6. Sompco acquisition of Canopus - The Insurance Insider (Sep 14). 7. The Banker (Sep 14).

Fixed Income, Currencies and Commodities

Operating income of \$A725m, up 11% on 1H14 and down 30% on 2H14

Net profit contribution of \$A250m, up 23% on 1H14 and down 52% on 2H14



Commodity Markets 61% of operating income			Financial Markets 27% of operating income		12% of operating income
Metals & Energy Capital	Metals & Agriculture Sales and Trading	Energy Markets	Fixed Income & Currencies	Credit Trading	Futures
<ul style="list-style-type: none"> • Low levels of volatility in precious metals markets impacted client hedging and trading activity • Continued subdued mining equity markets and low prices in both metals and bulk commodities continued to impact the timing of asset realisations and new project financings. Significantly lower impairments taken during the half than 1H14 	<ul style="list-style-type: none"> • An overall improved result, underpinned by continued growth in the financing and trading of physical commodities • Low volatility in base metals dampened customer hedging activity • Growth in steel trading and financing business • Established a new trading and financing capability in Asian metals and agriculture, with a key focus on China 	<ul style="list-style-type: none"> • Generally strong results across the platform, particularly from EMEA Gas & Power and Global Oil – albeit a lower overall result than 2H14 which benefited from strong customer flows particularly in the US gas business • Maintained ranking as No.4 US physical gas marketer in North America¹ 	<ul style="list-style-type: none"> • Increased volumes from international clients • Increased volatility in FX markets resulted in improved trading conditions • Debt origination and securitisation business deal flow remains steady in Australia and continued to increase in EMEA where several significant transactions were closed 	<ul style="list-style-type: none"> • US credit markets were mixed, influenced by downward rate movements, liquidity volatility driven by investor risk appetite and general global uncertainty • Increased client demand for high yield products • Growth in US commercial and residential mortgage, CLO, green energy finance, and distressed debt activities 	<ul style="list-style-type: none"> • Lower levels of activity and subdued volatility in fixed income markets weighed on the result • Significant increased costs associated with regulatory reform and strategic platform investments • Maintained ranking as No. 2 overall market share in ASX24 Futures²

Note: All references to net profit contribution from operating groups are pre profit share, income tax and unallocated corporate costs.
1. Platts Q2 CY14, maintained since 2010. 2. ASX24 Futures volumes CYTD as at 30 Sep 14.

Strong funding and balance sheet position



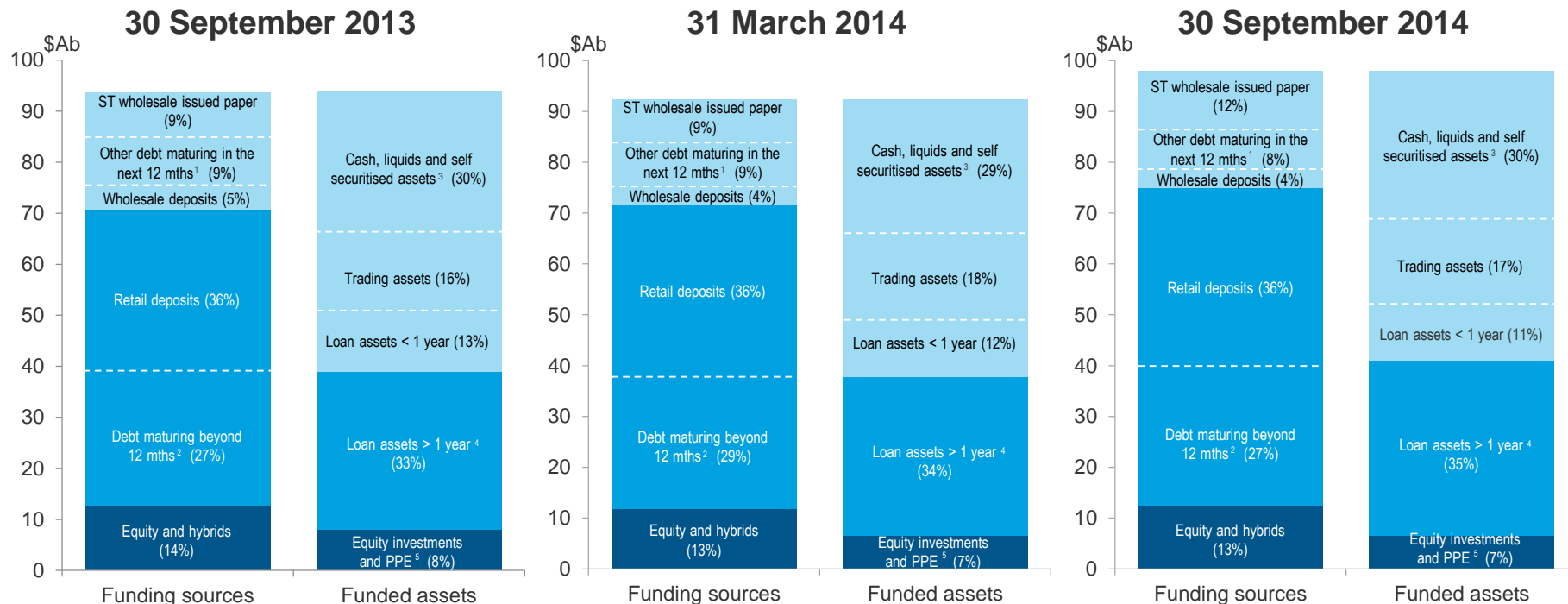
- Diverse and stable funding base, minimal reliance on short term wholesale funding markets
- Surplus funding capacity continues to be deployed
- Retail deposits¹ continuing to grow, up 6% to \$A35.3b in Sep 14 from \$A33.3b at Mar 14
- \$A11.2b of new term funding raised since Mar 14²

1. Retail deposits are a subset of total deposits per the funded balance sheet (\$A38.8b at 30 Sep 14), which differs from total deposits per the statutory balance sheet (\$A44.2b at 30 Sep 14). The funded balance sheet excludes any deposits which do not represent a funding source for the Group. 2. Includes BCN (\$A0.4b) and MBL 3 year USD bond (\$A2.0b) issuances completed in Oct 14.

Funded balance sheet remains strong



MACQUARIE



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 53. 1. 'Other debt maturing in the next 12 mths' includes Structured Notes, Secured Funding, Bonds, Other Loans maturing within the next 12 months and Net Trade Creditors. 2. 'Debt maturing beyond 12 mths' includes Loan Capital. The BCN (\$A0.4b) and MBL 3 year USD bond (\$A2.0b) issuances completed during Oct 14 are excluded from balances reported at 30 Sep 14. 3. 'Cash, liquids and self securitised assets' includes self securitisation of repo eligible Australian mortgages originated by Macquarie. 4. 'Loan Assets > 1 yr' includes Debt Investment Securities and Operating Lease Assets. 5. 'Equity Investments and PPE' includes the Group's co-investments in Macquarie-managed funds and equity investments.

Regulatory update

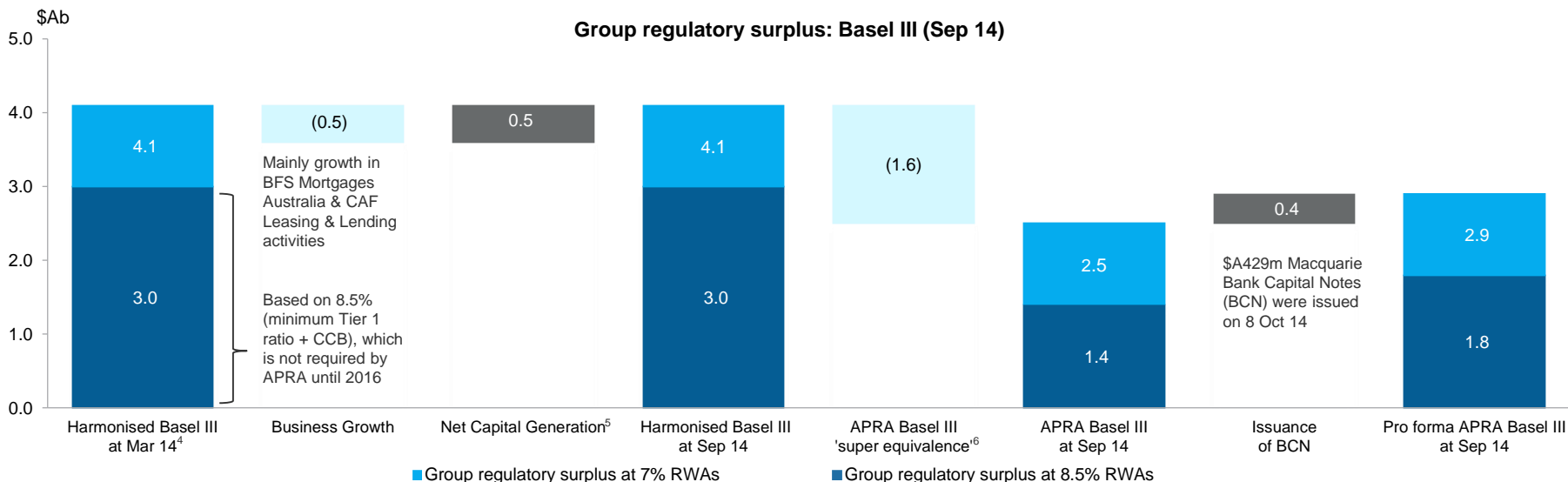


- In Aug 14, APRA issued its final rules for Conglomerates with the implementation timing dependent on the outcomes of the Financial System Inquiry. We continue to work through the application of these rules with APRA, however, our current assessment is that Macquarie has sufficient capital to meet the minimum APRA capital requirements for Conglomerates
- Based on finalised BIS leverage ratio requirements released in Jan 14, the Bank Group is well in excess of the currently proposed Basel III 3% minimum, with an estimated 5.5%¹ leverage ratio (5.7% including BCN²)
 - The leverage ratio applies to the Bank Group only
 - APRA published draft standards relating to the leverage ratio in Sep 14 and is currently undertaking industry consultation regarding its final form
 - APRA has not implemented a minimum leverage ratio requirement at this stage
- Liquidity Coverage Ratio (LCR) requirements will be effective from 1 Jan 15. With its Committed Liquidity Facility allocation in place, the Bank Group's LCR would exceed 120% as at 30 Sep 14

Basel III capital position



- APRA Basel III Group capital (including BCN¹) at Sep 14 of \$A13.7b, Group surplus of \$A1.8b (1 Jan 16 requirements²), \$A2.9b (existing requirements³)
- Bank Group APRA Basel III CET1 ratio: 8.7% (9.6% including Non-Bank Group capital surplus)
- Bank Group APRA Basel III Tier 1 ratio: 10.3% including BCN¹ (11.1% including Non-Bank Group capital surplus)



1. Pro forma including \$A429m of BCN issued on 8 Oct 14, which are eligible for inclusion as Additional Tier 1 Capital. 2. Calculated at 8.5% RWA including capital conservation buffer (CCB), per the 1 Jan 16 minimum requirements in the APRA Prudential Standard APS 110. 3. Calculated at 7% RWA, per the internal minimum Tier 1 ratio of the Bank Group. 4. 'Harmonised' Basel III estimates assume alignment with BIS in areas where APRA differs from the BIS. 5. Includes 1H15 P&L net of FY14 dividend, Share Based Payment reserve movement, FY14 MEREP & other movements in capital supply and requirements including the net impact of hedging employed to reduce the sensitivity of the Group's capital position to FX translation movements. 6. APRA Basel III 'super-equivalence' includes full CET1 deductions of equity investments (\$A0.6b); deconsolidated subsidiaries (\$A0.5b); DTAs and other impacts (\$A0.5b).

Interim dividend



- 1H15 dividend set at \$A1.30 (40% franked), 62% payout ratio
 - 1H15 dividend up on 1H14 dividend of \$A1.00 (40% franked) and down on 2H14 dividend of \$A1.60 (40% franked)¹
 - Record date for 1H15 dividend is 14 Nov 14 and payment date is 16 Dec 14
- Given business growth, the Board has resolved to issue shares to satisfy the Dividend Reinvestment Plan for the 1H15 dividend and has reintroduced a discount to the prevailing market price² of 1.5%
- Dividend policy remains 60-80% annual payout ratio

1. In addition, in 2H14 eligible shareholders benefitted from the SYD distribution in Jan 14 which comprised a special dividend of \$A1.16 (40% franked) and a return of capital of \$A2.57 per share. 2. Determined in accordance with the DRP rules as the average of the daily volume weighted average price over the nine business days commencing on the third business day after the relevant election date.

Board change



- Gordon Cairns has been appointed to the Macquarie Group Limited and Macquarie Bank Limited Boards as an independent director, effective 1 Nov 14
- Mr Cairns has held a wide range of management and executive roles throughout his career including CEO of Lion Nathan Limited. He is currently the chairman of Origin Energy Limited, Quick Service Restaurants and the Origin Foundation. He has also served as a director on the boards of Westpac Banking Corporation, Seven Network Australia Limited and Lion Nathan Limited and as the chairman of David Jones Limited and Rebel Group Pty Limited



03

Result analysis and financial management

Patrick Upfold
Chief Financial Officer

Income Statement key drivers



	1H15 \$Am	2H14 \$Am	1H14 \$Am
Net interest and trading income	1,643	1,824	1,451
Fee and commission income	2,181	2,015	1,838
Share of net gains of associates	19	79	70
Investment impairments	(79)	(165)	(106)
Loan impairments and provisions	(104)	(141)	(95)
Other income	638	841	521
Net operating income	4,298	4,453	3,679
Employment expenses	(1,944)	(2,006)	(1,730)
Brokerage, commissions and trading-related expenses	(401)	(400)	(379)
Other operating expenses	(832)	(751)	(760)
Total operating expenses	(3,177)	(3,157)	(2,869)
Net profit before tax and noncontrolling interests	1,121	1,296	810
Income tax expense	(432)	(520)	(307)
Non-controlling interests	(11)	(12)	(2)
Net profit after tax	678	764	501

- Net interest and trading income of \$A1,643m, up 13% on 1H14
 - Increased corporate lending activity in CAF and BFS (mortgages and business banking)
 - Improved result for FICC, particularly in MAST and FIC
 - 2H14 benefited from a strong result in Energy Markets North American gas trading business
- Fee and commission income of \$A2,181m, up 19% on 1H14
 - Higher base and performance fees (MEIF1, MIC and MQA)
 - Improved ECM and DCM activity
 - Partially offset by lower brokerage income largely due to sale of MPW Canada in 2H14
- Investment impairments down on 1H14 and 2H14
 - Lower mining related equity impairments
 - 2H14 included write down of centrally held legacy equity investments
- Other income of \$A638m, up 22% on 1H14
 - Increased gains from sale of principal investments
 - Partially offset by lower dividend income (1H14 and 2H14 included distributions from SYD)
 - 2H14 included gains on SYD distribution and sale of OzForex
- Employment expenses of \$A1,944m, up 12% on 1H14
 - Improved result leading to higher staff compensation
 - Increased average headcount
- Other operating expenses of \$A832m, up 9% on 1H14
 - Increased costs of regulatory compliance, partially offset by impact of business disposals
- Effective tax rate of 38.9%, consistent with FY14 – driven by geographic mix of income and tax uncertainties

Macquarie Funds Result



	1H15 \$Am	2H14 \$Am	1H14 \$Am
Base fees	641	652	610
Performance fees	373	142	75
Other fee and commission income	119	121	120
Net interest and trading income/(expense) ¹	11	(18)	(5)
Share of net gains of associates	38	56	47
Equity investment and other income	60	58	54
Internal management revenue ²	(3)	10	6
Net operating income	1,239	1,021	907
Total operating expenses	(454)	(470)	(407)
Net profit contribution³	785	551	500
AUM (\$Ab)	423.3	424.8	380.7
Staff numbers	1,492	1,510	1,445

- Base fees of \$A641m, up 5% on 1H14; AUM up 11%
 - New fund raisings and deployment of equity in MIRA, partially offset by divestments
 - Favourable currency movements and increased equity values
 - Positive underlying fund flows into higher margin products
 - Acquisition of ING Investment Management Korea (MIM Korea) in Dec 13, offset by impact of the Jackson Square Partners (JSP) and MIM Private Markets transactions
- Performance fees of \$A373m, significantly up on 1H14
 - Significant fees from MEIF1, MIC and MQA
- Other fee and commission income of \$A119m, broadly in line with 1H14
 - Includes distribution service fees, structuring fees, capital protection fees and income from True Index products
- Share of net gains of associates of \$A38m includes gains arising from sale of assets by unlisted infrastructure funds, including MEIF1
- Equity investment and other income of \$A60m, up 11% on 1H14
 - Partial sale of investment in MQA, offset by lower dividend income
- Total operating expenses of \$A454m, up 12% on 1H14
 - Higher sub-advisory expenses in the Delaware business due to the JSP transaction
 - Acquisition of MIM Korea and additional headcount for business growth

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

Recognition of performance fees from unlisted funds



- Macquarie's entitlement to receive performance fees on its unlisted funds typically occurs once investors have received repayment of their initial capital invested as well as their preferential return
- The performance fee structure is typically a percentage of the fund's return once a fund has surpassed the investors' agreed return
- For unlisted funds, Macquarie's policy is to recognise a performance fee only once the fee can be **reliably measured** and the **risk of not receiving the fee is highly improbable**. Factors that are taken into consideration when determining the quantum and timing of the performance fee recognised include:
 - The proportion of assets already realised
 - Returns on assets realised to date
 - Downside valuation on remaining assets and reliability of these estimates
 - Nature of investments and volatility of investment returns
- Accordingly, the quantum and timing of performance fees recognised in the income statement require significant judgement and will vary depending on the specific factors relevant for each fund
- As performance fees are recognised, Macquarie will update the market to the extent that they will impact any guidance previously provided

Corporate and Asset Finance Result



	1H15 \$Am	2H14 \$Am	1H14 \$Am
Net interest and trading income ¹	326	386	277
Fee and commission income	21	29	7
Net operating lease income	265	265	255
Impairment charges ²	(34)	(56)	(29)
Gain on disposal of operating lease assets	97	13	14
Other income	9	(15)	46
Internal management revenue ³	4	7	8
Net operating income	688	629	578
Total operating expenses	(220)	(199)	(182)
Net profit contribution⁴	468	430	396
Loan and finance lease portfolio (\$Ab)	21.6	19.8	18.9
Operating lease portfolio (\$Ab)	5.9	5.7	5.7
Staff numbers	1,063	1,039	976

- Net interest and trading income of \$A326m, up 18% on 1H14
 - Net increase in lending activity and higher early repayments levels (early repayment levels down on strong 2H14)
 - Increase in loan and finance lease portfolio of 14%
- Net operating lease income of \$A265m, up 4% on 1H14
 - In line with portfolio growth driven by acquisitions in the Aviation portfolio and the favourable impact of the depreciation of the Australian dollar
- Gain on disposal of operating lease assets of \$A97m
 - Predominantly due to the restructure of a lease contract for a rail related asset
- Other income of \$A9m, down 80% on 1H14
 - 1H14 included a favourable settlement of a claim and the realisation of an equity exposure
- Total operating expenses of \$A220m, up 21% on 1H14
 - Increased headcount supporting business growth, higher professional fees and investment in platforms
 - Includes one off costs associated with railcar lease renegotiation

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

Banking and Financial Services

Result



MACQUARIE

	1H15 \$Am	2H14 \$Am	1H14 \$Am
Net interest and trading income ¹	406	372	366
Platform and other fee and commission income	198	186	211
Brokerage and commissions	64	73	106
Impairment charges ²	(15)	(24)	(25)
Other income	12	46	9
Net operating income	665	653	667
Total operating expenses	(524)	(504)	(556)
Net profit contribution³	141	149	111
FUM / FUA ⁴ (\$Ab)	132.6	127.7	136.8
Loan portfolio ⁵ (\$Ab)	29.9	27.0	25.7
Retail deposits (\$Ab)	35.3	33.3	33.1
Staff numbers	2,568	2,419	2,891

- Net interest and trading income of \$A406m, up 11% on 1H14
 - Strong growth in Australian mortgage volumes (up 36% to \$A19.8b from \$A14.6b at Sep 13) partially offset by run down of the Canadian and US mortgage portfolios and margin compression
 - Strong loan and deposit growth in Business Banking (average volumes both up 23% on Sep 13), partially offset by margin compression
 - Increased credit card income as a result of Woolworths credit card portfolio acquisition (May 14)
- Platform and other fee and commission income of \$A198m, down 6% on 1H14 but up 6% on 2H14
 - Loss of fee income from sale of MPW Canada (Nov 13) largely offset by increased income from platform and credit cards business as a result of volume growth
- Brokerage and commissions of \$A64m, down 40% on 1H14
 - Impact from sale of MPW Canada
 - Lower level of income from Australia retail equities broking
- Other income of \$A12m, up 33% on 1H14
 - 2H14 included the gain on sale of the investment in OzForex
- Total operating expenses of \$A524m, down 6% on 1H14
 - Reduced costs as a result of sale of MPW Canada, partially offset by increased headcount to support business growth and investment in technology projects

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury, as well as a 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. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax. 4. Funds under management / advice / administration ('FUM / FUA') includes AUM, funds on BFS platforms (e.g. Wrap FUA), total loan and deposit portfolios, client CHESS holdings and funds under advice (e.g. Macquarie Private Bank). 5. Includes Australian mortgages, loans to Australian businesses, insurance premium funding, credit cards and legacy loan portfolios.

Macquarie Securities

Result



	1H15 \$Am	2H14 \$Am	1H14 \$Am
Brokerage and commissions	262	275	272
Net interest and trading income ¹	113	109	125
Other fee and commission income	61	43	43
Other income	(5)	2	(4)
Net operating income	431	429	436
Brokerage, commission and trading-related expenses	(71)	(64)	(66)
Other operating expenses	(343)	(329)	(299)
Total operating expenses	(414)	(393)	(365)
Net profit contribution²	17	36	71
Staff numbers	1,013	1,050	1,038

- Brokerage and commissions of \$A262m, down 4% on 1H14
 - Higher brokerage and commission in Australia and Europe offset by lower brokerage in Asia as a result of decreased market turnover
- Net interest and trading income of \$A113m, down 10% on 1H14
 - Lower demand for retail warrant products particularly in Hong Kong and Thailand
 - Partially offset by improved revenues from trading activities in Asia and Europe
- Other fee and commission income of \$A61m, up 42% on 1H14
 - Improved ECM activity, particularly in Australia
- Total operating expenses of \$A414m, up 13% on 1H14
 - Increased regulatory requirements and technology costs
 - One off costs associated with Structured Products business exit

Macquarie Capital

Result



	1H15 \$Am	2H14 \$Am	1H14 \$Am
Fee and commission income	361	406	321
Investment and other income	107	99	67
Net interest and trading expense ¹	(13)	(32)	(3)
Impairment charges ²	(17)	(35)	(13)
Internal management revenue ³	1	7	-
Net operating income	439	445	372
Total operating expenses	(290)	(265)	(283)
Non-controlling interests	1	(1)	12
Net profit contribution⁴	150	179	101
Staff numbers	1,139	1,141	1,117

- Fee and commission income of \$A361m, up 12% on 1H14
 - Australia and the US generated comparable levels of fee income
 - Increased ECM activity in Australia, higher DCM income in the US
 - Advisory and capital markets activity for 1H15 included 219 transactions valued at \$A63b (compared to 214 transactions valued at \$A28b in 1H14)
- Investment and other income of \$A107m, up 60% on 1H14
 - Includes IPO of 3P Learning and partial sale of Charter Hall Group investment
- Net interest and trading expense of \$A13m, up on 1H14
- Impairment charges of \$A17m, broadly in line with 1H14
- Total operating expenses of \$A290m, up 2% on 1H14
 - Increased headcount

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L. 2. Includes investment and loan impairments. 3. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 4. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

Fixed Income, Currencies and Commodities Result



	1H15 \$Am	2H14 \$Am	1H14 \$Am
Commodities ¹	418	731	393
Credit, interest rates and foreign exchange ¹	253	233	223
Fee and commission income	93	81	81
Equity investment income	25	35	33
Impairment charges ²	(72)	(74)	(133)
Other income	9	35	51
Internal management revenue ³	(1)	(12)	5
Net operating income	725	1,029	653
Brokerage, commission and trading-related expenses	(124)	(157)	(124)
Other operating expenses	(351)	(349)	(326)
Total operating expenses	(475)	(506)	(450)
Net profit contribution⁴	250	523	203
Staff numbers	959	944	932

- Commodities income of \$A418m, up 6% on 1H14
 - Increase commodities financing activities and trading opportunities across MAST platform
 - Partially offset by lower gold hedging activity within the MEC business
 - Energy business result broadly in line with 1H14 (2H14 benefited from strong result in North American gas business)
- Credit, interest rate and foreign exchange income of \$A253m, up 13% on 1H14
 - AUD volatility leading to increased client flow and improved trading opportunities
- Fee and commission income of \$A93m, up 15% on 1H14
 - Increased DCM income in the US
 - Futures broadly in line with 1H14
- Equity investment income of \$A25m, down 24% on 1H14
 - Subdued mining sector impacting the timing of asset realisations
- Impairment charges of \$A72m, down 46% on 1H14
 - Lower mining related equity impairments
- Other income of \$A9m, down 82% on 1H14
 - 1H14 included income from the sale of NPIs
- Total operating expenses of \$A475m, up 6% on 1H14
 - Increased costs of regulatory compliance
 - Increased headcount

1. Includes internal net interest expense and transfer pricing on funding provided by Group Treasury that is eliminated on consolidation in the Group's statutory P&L. 2. Includes investment and loan impairments. 3. Internal revenue allocations are eliminated on consolidation in the Group's statutory P&L. 4. Net profit contribution is management accounting profit before unallocated corporate costs, profit share and income tax.

Income tax expense

Geographic mix of income



	Australia	US	EMEA	Asia
Statutory tax rates¹	30%	35% to 45%	21% to 30%	16% to 35%
Impacts on effective tax rate	<ul style="list-style-type: none"> Non-deductible expenses including: <ul style="list-style-type: none"> Interest (thin capitalisation) Hybrid capital instruments Offshore Banking Unit Tax paid in offshore countries is not creditable when Australia is in a current year loss position 	<ul style="list-style-type: none"> State and city tax rates vary Non-deductible expenses including double taxation in certain circumstances Tax on repatriation of interest to Australia 	<ul style="list-style-type: none"> Australian top-up tax may apply, primarily for leasing activities 	<ul style="list-style-type: none"> Tax rate depends on activities and jurisdiction Australian top-up tax applies, primarily for trading and principal activities Capital markets facing businesses in certain lower tax jurisdictions currently in losses. Losses are non-deductible in certain circumstances Tax on repatriation of interest and dividends to Australia

- Tax assets are subject to regular review and, where not recoverable, have been written off. Examples include tax losses that can no longer be used or disallowed tax reclaims
- Long term tax rate is expected to be in the mid to low 30s, subject to the loss of tax assets, nature and location of income, permanent differences and provisions for tax uncertainties

1. Material statutory tax rates as applied for the half year ending 30 Sep 14, and including Australian top-up taxation under the controlled foreign company provisions.

Income tax expense

Tax uncertainties



- Macquarie carries a provision for tax uncertainties
- Reviews of the tax uncertainties are conducted periodically and may be adjusted where there is a change in circumstances or disagreement with the relevant revenue authorities arising out of a risk review or audit:

Non Australian revenue authorities	<ul style="list-style-type: none">– Reviews and audits tend to be real time or periodic– No significant matters outstanding
Australian revenue authorities	<ul style="list-style-type: none">– ATO has historically conducted reviews and audits some years after the relevant tax year– Currently a small number of matters are unresolved or under review from prior years– For more recent years, the ATO has undertaken a process of real time review with any areas of potential uncertainty addressed using tax rulings where possible

- Macquarie has considered its position with respect to unresolved matters and other tax claims, including seeking advice, and considers that it holds appropriate provisions
- Macquarie is seeking to enter into an Advance Pricing Arrangement with various tax authorities in relation to its international income

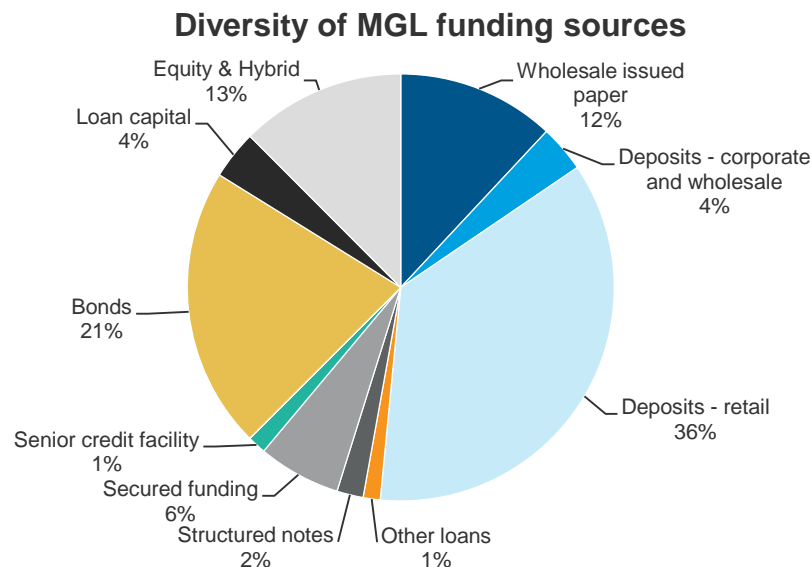


Balance sheet highlights

- Balance sheet remains solid and conservative
 - Term assets covered by term funding, stable deposits and equity
 - Minimal reliance on short term wholesale funding markets
- Retail deposits¹ continuing to grow, 6% to \$A35.3b in Sep 14 from \$A33.3b at Mar 14
- \$A17.4b² of new term funding raised in FY14
- \$A11.2b³ of new term funding raised since 31 Mar 14:
 - \$A4.7b mortgage and motor vehicle/equipment secured funding
 - \$A4.1b senior unsecured debt issuance in the US market
 - \$A1.6b senior unsecured debt issuance in Euro and Sterling markets
 - \$A0.4b MBL private placements and structured note issuance
 - \$A0.4b Macquarie Bank Capital Notes (BCN) issued on 8 Oct 14

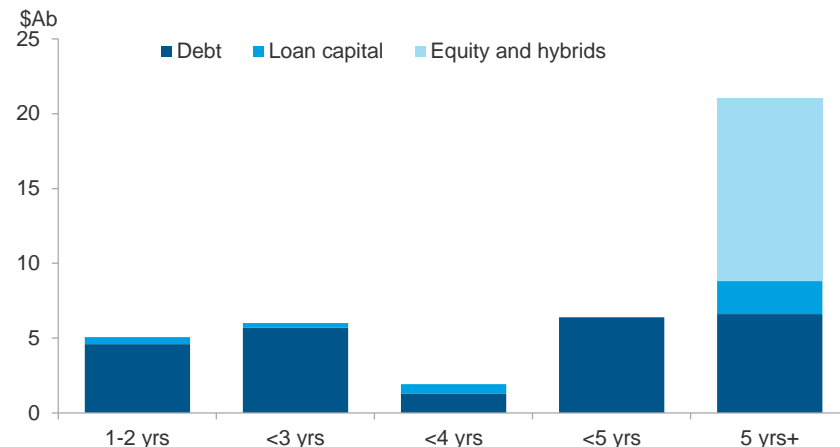
1. Retail deposits are a subset of total deposits per the funded balance sheet (\$A38.8b at 30 Sep 14), which differs from total deposits per the statutory balance sheet (\$A44.2b at 30 Sep 14). The funded balance sheet excludes any deposits which do not represent a funding source for the Group. 2. Issuances are AUD equivalent based on FX rates at the time of issuance. 3. Amounts are AUD equivalent based on FX rates at the time of issuance and amounts include issuances completed during Oct 14, comprising BCN (\$A0.4b) and MBL 3 year USD bond (\$A2.0b).

Well diversified funding sources



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

MGL term funding (drawn and undrawn¹) maturing beyond one year (including equity and hybrids)



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

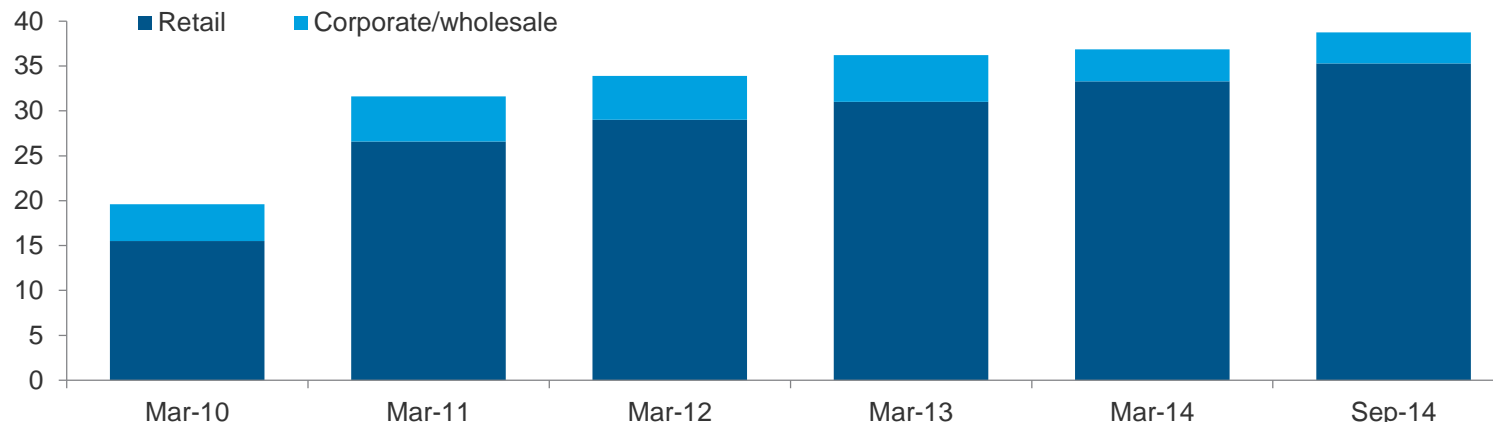
1. Includes \$A0.7b of undrawn term facilities for the Group.

Continued retail deposit¹ growth



- Macquarie has been successful in pursuing its strategy of diversifying its funding sources through growing its deposit base
 - 1.1 million retail clients, of whom circa 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 \$A43,000

(\$Ab)



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

Loan portfolio¹ growth – Funded Balance Sheet



Category	Sep 14 \$Ab	Mar 14 \$Ab	Sep 13 \$Ab
Mortgages:			
Australia	12.6	10.5	8.4
Canada, United States and other regions	5.2	5.7	6.8
Total mortgages	17.8	16.2	15.2
Structured investments	2.3	3.8	4.3
Banking	4.9	4.2	4.1
Real Estate	2.9	2.5	2.6
Resources and commodities	2.6	2.4	2.1
Finance leases	4.7	5.0	4.9
Corporate lending	6.5	6.0	5.5
Other lending	2.2	1.4	1.5
	43.9	41.5	40.2
Operating leases	6.0	5.7	5.7
Total loan assets per funded balance sheet²	49.9	47.2	45.9

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 \$A64.4b at 30 Sep 14 (\$A58.7b at 31 Mar 14) are adjusted to include fundable assets not classified as loans on the statutory balance sheet (for example, assets subject to operating leases which are recorded in Property, Plant and Equipment in the statutory balance sheet). 2. Total loan assets per funded balance sheet includes self securitisation assets.

Equity investments of \$A4.2b¹



Category	Carrying value ² Sep 14 \$Am	Carrying value ² Mar 14 \$Am	Description
Macquarie Funds (MIRA) managed funds	1,522	1,528	Includes MIC, MPF Holdings Limited, Macquarie SBI Infrastructure Fund, MQA, MEIF1, MWREF, Macquarie Mexican REIT, Macquarie Korea Infrastructure Fund, MEIF3
Other Macquarie managed funds	481	414	Includes investments that hedge directors' profit share plan liabilities
Transport, industrial and infrastructure	335	364	Over 50 separate investments
Telcos, IT, media and entertainment	603	549	Over 30 separate investments
Energy, resources and commodities	416	445	Over 100 separate investments
Real estate investment, property and funds management	315	369	Represents property and JV investments/loans. Includes investments in Core Plus Industrial Fund, Retirement Villages Group, Charter Hall Group and Medallist
Finance, wealth management and exchanges	548	491	Includes investments in fund managers, investment companies, securities exchanges and other corporations in the financial services industry
	4,220	4,160	

1. Equity investments per the statutory balance sheet of \$A5,775m (Mar 14: \$A5,794m) have been adjusted to reflect the total economic exposure to Macquarie. 2. Total funded equity investments of \$A4,737m (Mar 14: \$A4,656m), less available for sale reserves of \$A509m (Mar 14: \$A493m) and associate reserves of \$A15m (Mar 14: \$A20m), plus other assets of \$A7m (Mar 14: \$A17m). Comparatives have been restated to conform to changes in the current period presentation.

Capital Management update



- On-market share purchases since 31 Mar 14
 - FY14 MEREP \$A265m at a weighted average price of \$A59.56
 - 2H14 Dividend Reinvestment Plan \$A63m at a weighted average price of \$A59.94
- On 8 Oct 14, \$A429m Macquarie Bank Capital Notes (BCN) were issued. The BCN were issued by MBL and have been confirmed eligible for inclusion as Additional Tier 1 capital by APRA
- Given business growth, the Board has resolved to issue shares to satisfy the Dividend Reinvestment Plan for the 1H15 dividend and has reintroduced a discount to the prevailing market price¹ of 1.5%

1. Determined in accordance with the DRP rules as the average of the daily volume weighted average price over the nine business days commencing on the third business day after the relevant election date.

Group Capital Surplus and Bank Group's CET1 ratio in excess of minimum



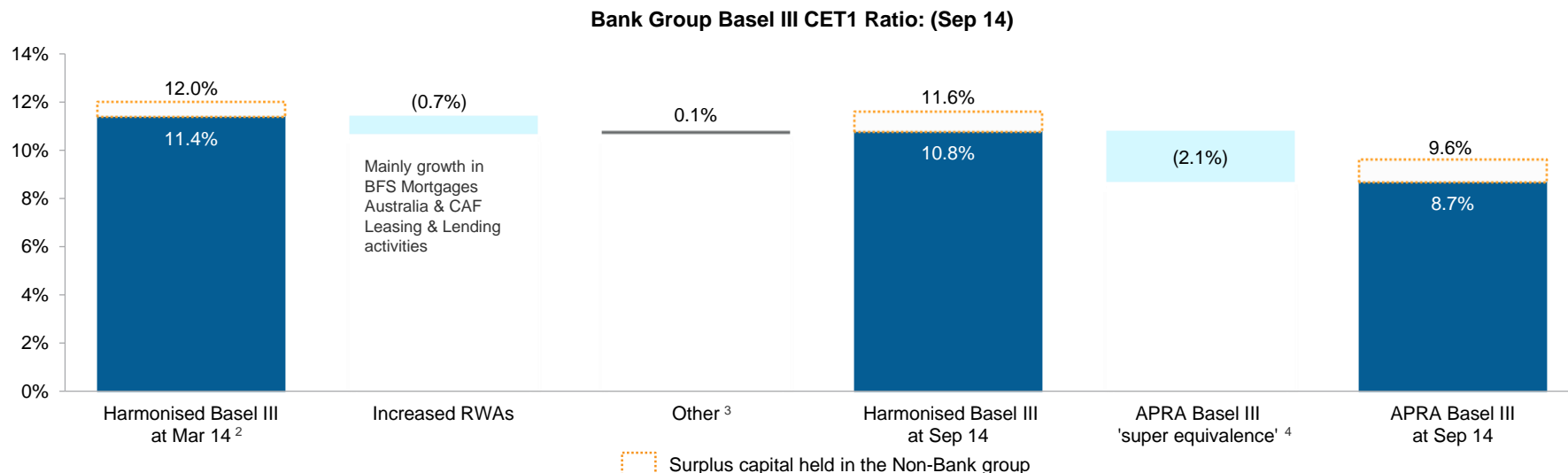
- Based on the Macquarie Group Basel III capital position as at 30 Sep 14 (including BCN¹) and on a Harmonised Basel III basis²:
 - Group capital surplus is \$A3.4b measured at the 2019 BIS requirement of 8.5%³ RWA (\$A4.5b at the existing requirement of 7% RWA⁴)
 - The Bank Group's CET1 ratio is 10.8%, increasing to 11.6% including surplus capital held in the NonBank Group
- Under Basel III, local regulators have the discretion to make adjustments to the timing, nature and quantum of Basel III reforms ("super equivalence"⁵). After adjusting for APRA's "super equivalence" and on a fully implemented basis 30 Sep 14 (including BCN¹):
 - Group capital surplus is \$A1.8b measured at the 2016 APRA requirement of 8.5%⁶ RWA (\$A2.9b at the existing requirement of 7% RWA⁴)
 - The Bank Group's CET1 ratio is 8.7%, increasing to 9.6% including surplus capital held in the Non-Bank Group

1. Pro forma including \$A429m of BCN issued on 8 Oct 14. 2. 'Harmonised' Basel III figures assume full alignment with BIS in areas where APRA differs from the BIS. 3. The Tier 1 capital ratio of 8.5% includes the capital conservation buffer (CCB) and is not required by BIS until 2019. 4. Calculated at 7% RWA, per the internal minimum Tier 1 ratio of the Bank Group. 5. Based on APRA prudential standards in force since 1 Jan 13. 6. Calculated at 8.5% RWA including capital conservation buffer (CCB), per the 1 Jan 16 minimum requirements in the APRA Prudential Standard APS 110.

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



- Bank Group APRA Basel III CET1 ratio: 8.7% (9.6% including Non-Bank Group capital surplus)
- Bank Group APRA Basel III Tier 1 ratio: 10.3% including BCN¹ (11.1% including Non-Bank Group capital surplus)
- Basel III applies only to the Bank Group and not the Non-Bank Group



1. Pro forma including \$A429m of BCN issued on 8 Oct 14, which are eligible for inclusion as Additional Tier 1 Capital. 2. Harmonised² Basel III figures assume alignment with BIS in areas where APRA differs from the BIS. APRA Basel III CET1 ratio at Mar 14 – Bank Group: 9.6%; Bank Group including Non-Bank Group surplus: 10.2%. 3. Includes MBL 1H15 P&L less 2H14 full-year & 1H15 interim dividends paid from MBL to MGL of \$A159m and \$A494m respectively as well as other movements in capital supply and requirements. 4. APRA Basel III 'super-equivalence' includes full CET1 deductions of equity investments (0.8%); deconsolidated subsidiaries (0.6%); DTAs and other impacts (0.7%).



MACQUARIE

04

Outlook

Nicholas Moore

Managing Director and Chief Executive Officer



Short term outlook



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

Operating Group	Net profit contribution				
	FY07 – FY14 historical range	FY07 – FY14 average	FY14	FY15 outlook as announced in Sep 14 ¹	Update to FY15 outlook
Macquarie Funds	\$A0.3b – \$A1.1b	\$A0.7b	\$A1.1b	Up on FY14	No change
Corporate and Asset Finance	\$A0.1b – \$A0.8b ²	\$A0.4b	\$A0.8b	Broadly in line with FY14	No change
Banking and Financial Services	\$A0.1b – \$A0.3b ^{3,4}	\$A0.2b ⁴	\$A0.3b ⁴	Up on FY14	No change
Macquarie Securities	\$A(0.2)b – \$A1.2b	\$A0.4b	\$A0.1b	Down on FY14	No change
Macquarie Capital	\$A(0.1)b – \$A1.6b	\$A0.5b	\$A0.3b	Up on FY14	No change
FICC	\$A0.5b – \$A0.8b	\$A0.6b	\$A0.7b	Broadly in line with FY14	No change
Corporate	<ul style="list-style-type: none"> – Compensation ratio to be consistent with historical levels – Based on present mix of income, currently expect FY15 tax rate to be broadly in line with FY14 				

1. CLSA Investor Forum held on 15 Sep 14. 2. Range excludes FY09 provisions for loan losses of \$A135m related to Real Estate Structured Finance loans as this is a restructured business. 3. Range excludes FY09 loss on sale of Italian mortgages of \$A248m as this is a discontinued business. 4. During the half year ended 30 Sep 13, Group Treasury revised internal funding transfer pricing arrangements relating to BFS's deposit and lending activities. Comparatives have been restated to reflect the current methodology.



Short term outlook

- While the impact of future market conditions makes forecasting difficult, we continue to expect that the FY15 combined net profit contribution¹ from operating groups will be up on FY14, offsetting the FY14 realised gain relating to the SYD distribution
- The FY15 tax rate is currently expected to be broadly in line with FY14
- Accordingly, the FY15 result for the Group is currently expected to be slightly up on FY14
- Our short term outlook remains subject to a range of challenges including:
 - Market conditions
 - The impact of foreign exchange
 - The cost of our continued conservative approach to funding and capital
 - Potential regulatory changes and tax uncertainties

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

Medium term



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

Approximate business Basel III Capital & ROE



Operating Group	APRA Basel III Capital ¹ @ 8.5% (\$Ab)	Approx. 1H15 Return on Ordinary Equity ²	
Annuity-style businesses	6.2		Approx. 8-Year Average Return on Ordinary Equity²
Macquarie Funds Group	1.9	24%	20% ³
Corporate and Asset Finance	2.8		
Banking and Financial Services	1.5		
Capital markets facing businesses	4.5		Approx. 8-Year Average Return on Ordinary Equity²
Macquarie Securities	0.5	7%	15%-20%
Macquarie Capital	1.3		
FICC	2.7		
Corporate and Other	1.1		
Legacy Assets	0.3		
Corporate	0.8		
Total regulatory capital requirement @ 8.5%	11.8		
Comprising: Ordinary Equity	10.1		
Hybrid	1.7		
Add: Surplus Ordinary Equity	1.4		
Total APRA Basel III capital supply (excluding BCN⁴)	13.2		

1. Business Group capital allocations based on allocations as at 30 Jun 14. 2. NPAT used in the calculation of approx. annualised ROE is based on Operating Group's net profit contribution adjusted for indicative allocations of profit share, tax and other corporate expenses. Accounting equity is attributed to businesses based on regulatory capital requirements. 8-year average covers FY07 to FY14, inclusively.
3. CAF excluded from 8-year average as not meaningful given the significant increase in scale of CAF's platform over the 8-year period.
4. Excludes \$A429m of BCN issued on 8 Oct 14.

Medium term



MFG	<ul style="list-style-type: none">• Annuity-style business that is diversified across regions, products, asset classes and investor types• Well positioned for organic growth with several strongly performing products and an efficient operating platform• Higher margin products should benefit from improvement in market confidence
CAF	<ul style="list-style-type: none">• Leverage deep industry expertise to maximise growth potential in loan and lease portfolios• Anticipate further asset realisations at attractive return levels• Funding from asset securitisation throughout the cycle
BFS	<ul style="list-style-type: none">• Build on successful intermediary and white label partnerships to continue growing third party distribution in personal banking and wealth management• Investing in new technology and digital presence to enhance service offering to clients• Opportunities to increase financial services engagement with business banking clients
MSG	<ul style="list-style-type: none">• Highly leveraged to any improvement in market conditions and return of investor confidence• 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
FICC	<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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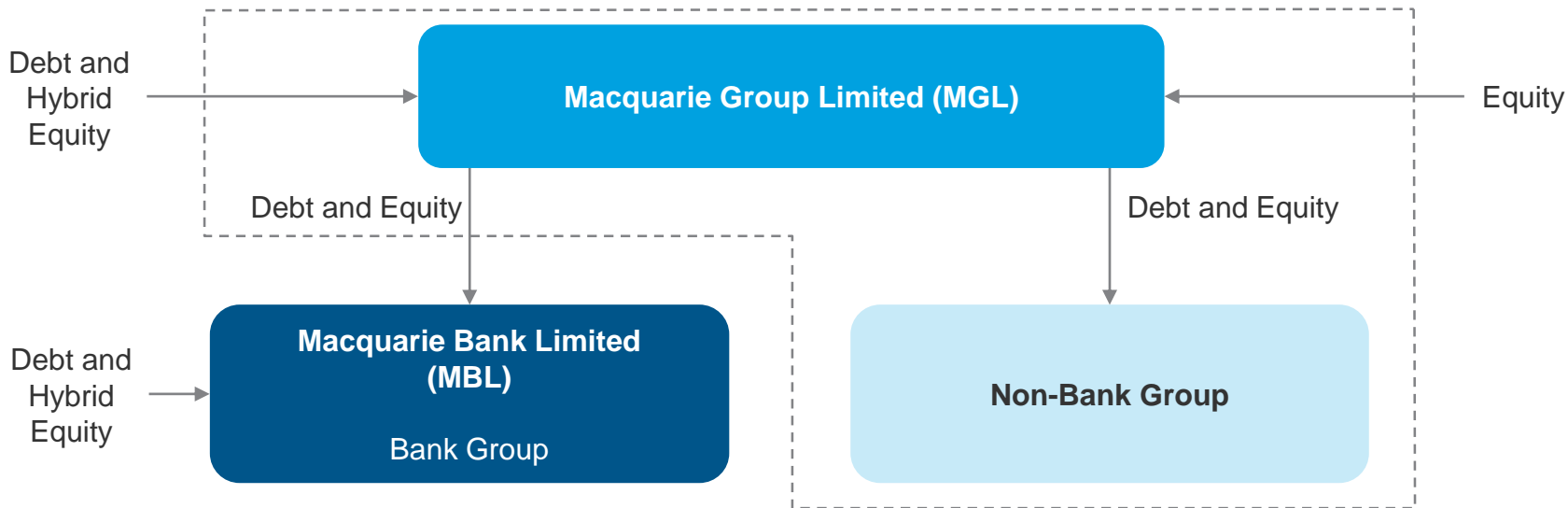
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Additional information
Funding

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 principally to the Non-Bank Group and limited funding to some MBL Group subsidiaries



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 14 \$Ab	Mar 14 \$Ab	Sep 13 \$Ab
Total assets per Statement of Financial Position	162.3	153.9	154.6
Deductions:			
Self funded trading assets	(16.2)	(17.9)	(16.7)
Derivative revaluation accounting gross ups	(14.3)	(11.6)	(13.9)
Life investment contracts and other segregated assets	(5.6)	(5.7)	(5.2)
Outstanding trade settlement balances	(7.1)	(7.2)	(7.0)
Short-term working capital assets	(5.7)	(5.5)	(5.3)
Less non-recourse funded assets:			
Securitised assets and non-recourse warehouses	(15.5)	(13.4)	(12.7)
Total assets per Funded Balance Sheet	97.9	92.6	93.8

Funding for the Group

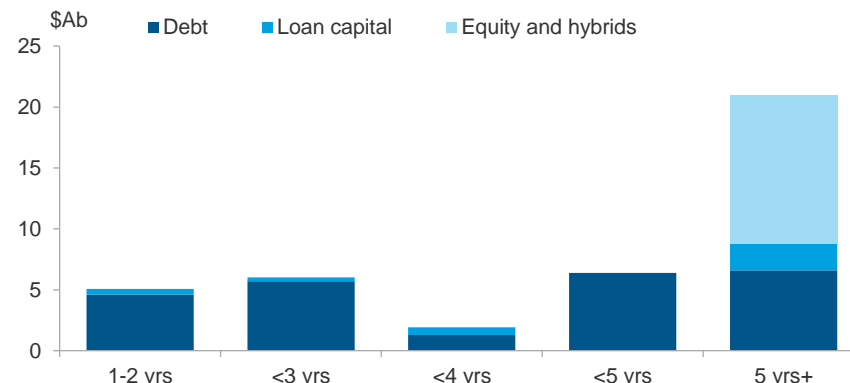
30 September 2014



	Sep 14 \$Ab	Mar 14 \$Ab	Sep 13 \$Ab
Funding sources			
Negotiable certificates of deposits	1.7	1.9	2.2
Commercial paper	10.0	6.6	6.7
Net Trade Creditors	0.3	1.0	-
Structured notes	2.2	2.3	2.1
Secured funding	6.1	7.0	8.0
Bonds	20.3	19.3	16.9
Other loans	1.3	0.9	1.2
Senior credit facility	1.4	1.3	2.6
Retail deposits	35.3	33.3	33.1
Corporate and wholesale deposits	3.5	3.6	4.9
Loan capital ¹	3.6	3.5	3.4
Equity and hybrids ²	12.2	11.9	12.7
Total funding sources	97.9	92.6	93.8
Funded assets			
Cash and liquid assets	21.2	19.1	21.5
Self Securitisation	7.9	7.4	6.2
Net trading assets	16.6	16.7	15.1
Loan assets < 1 year	11.2	11.9	12.0
Loan assets > 1 year	30.8	27.9	27.7
Debt investment securities	3.6	3.1	2.9
Co-investment in Macquarie-managed funds and other equity investments	4.7	4.7	6.1
Property, plant & equipment and intangibles	1.9	1.8	1.8
Net trade debtors	-	-	0.5
Total funded assets	97.9	92.6	93.8

- Well diversified funding sources
- Minimal reliance on short term wholesale funding markets
- Deposit base represents 40% of total funding sources
- Term funding beyond one year (excluding equity) has a weighted average term to maturity of 4.5 years

MGL term funding (drawn and committed but undrawn³) maturing beyond one year (including equity and hybrids)



1. Includes Macquarie Group Capital Notes of \$A0.6b, preferred membership interests of \$A0.5b and Exchangeable Capital Securities of \$A0.3b. 2. Includes ordinary capital, Macquarie Income Securities of \$A0.4b and Macquarie Income Preferred Securities of \$A0.1b. 3. Includes \$A0.7b of undrawn term facilities for the Group.

Funding for the Bank Group

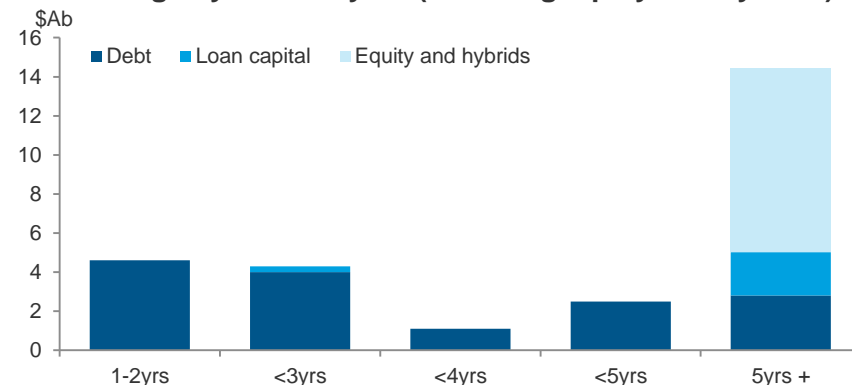
30 September 2014



	Sep 14 \$Ab	Mar 14 \$Ab	Sep 13 \$Ab
Funding sources			
Negotiable certificates of deposits	1.7	1.9	2.2
Commercial paper	10.0	6.6	6.7
Net Trade Creditors	1.0	0.7	-
Structured notes	1.7	1.6	1.4
Secured funding	6.0	6.9	7.7
Bonds	13.0	11.3	10.5
Other loans	0.6	0.5	0.9
Retail deposits	35.3	33.3	33.1
Corporate and wholesale deposits	3.5	3.6	4.9
Loan capital ¹	2.5	2.5	2.4
Equity and hybrids ²	9.4	9.5	9.4
Total funding sources	84.7	78.4	79.2
Funded assets			
Cash and liquid assets	19.5	17.3	19.4
Self securitisation	7.9	7.4	6.2
Net trading assets	15.2	15.4	13.9
Loan assets < 1 year	11.0	11.7	11.6
Loan assets > 1 year	29.8	26.9	26.7
Debt investment securities	2.7	2.6	2.8
Non-Bank Group deposit with MBL	(3.7)	(5.0)	(3.6)
Co-investment in Macquarie-managed funds and other equity investments	1.1	1.0	1.1
Property, plant & equipment and intangibles	1.2	1.1	1.2
Net trade debtors	-	-	(0.1)
Total funded assets	84.7	78.4	79.2

- 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 3.7 years
- Accessed term funding in markets including the US, Europe, Australia and the UK

MBL term funding (drawn and committed but undrawn³) maturing beyond one year (including equity and hybrids)



Funding for the Non-Bank Group

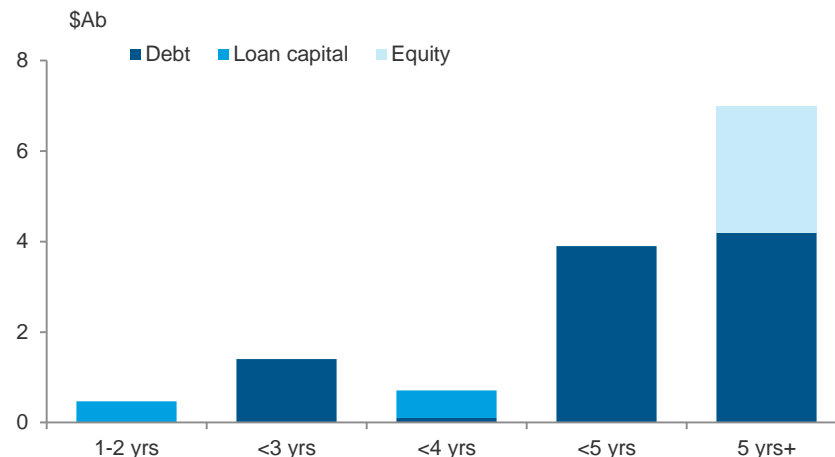
30 September 2014



	Sep 14 \$Ab	Mar 14 \$Ab	Sep 13 \$Ab
Funding sources			
Net Trade Creditors	(0.7)	0.3	-
Structured notes	0.5	0.7	0.7
Secured funding	0.1	0.1	0.3
Bonds	7.3	8.0	6.4
Other loans	0.7	0.4	0.3
Senior credit facility	1.4	1.3	2.6
Loan capital ¹	1.1	1.0	1.0
Equity	2.8	2.4	3.3
Total funding sources	13.2	14.2	14.6
Funded assets			
Cash and liquid assets	1.7	1.8	2.1
Non-Bank Group deposit with MBL	3.7	5.0	3.6
Net trading assets	1.4	1.3	1.2
Loan assets < 1 year	0.2	0.2	0.4
Loan assets > 1 year	1.0	1.0	1.0
Debt investment securities	0.9	0.5	0.1
Co-investment in Macquarie-managed funds and other equity investments	3.6	3.7	5.0
Property, plant & equipment and intangibles	0.7	0.7	0.6
Net trade debtors	-	-	0.6
Total funded assets	13.2	14.2	14.6

- Non-Bank Group is predominantly term funded
- Term funding beyond one year (excluding equity) has a weighted average term to maturity of 5.8 years

Non-Bank Group term funding (drawn and committed but undrawn²) maturing beyond one year (including equity)



1. Includes Macquarie Group Capital Notes of \$A0.6b and Preferred Membership Interests of \$A0.5b. 2. Includes \$A0.7b of undrawn term facilities for the Non-Bank Group.

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 off-setting 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 assets and non-recourse warehouses:** 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



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 or no 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:
 - Scenario analysis
 - Unencumbered liquid asset holdings
 - Liability driven approach to balance sheet management
- 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



MACQUARIE

B

Additional information
Capital

Macquarie Group Basel III regulatory capital

Surplus calculation¹



30 September 2014	Harmonised Basel III \$Am	APRA Basel III \$Am
Macquarie Group eligible capital:		
Bank Group Gross Tier 1 capital (includes BCN ¹)	10,079	10,079
Non-Bank Group eligible capital	3,586	3,586
Eligible capital	13,665	13,665 (a)
Macquarie Group capital requirement:		
Bank Group capital requirement		
Risk Weighted Assets (RWA)	73,346	69,943
Capital required to cover RWA ²	5,134	4,896
Tier 1 deductions	1,059	2,885
Total Bank Group capital requirement	6,193	7,781
Total Non-Bank Group capital requirement	2,988	2,988
Total Macquarie Group capital requirement (at 7% of the Bank Group RWA)	9,181	10,769 (b)
Macquarie Group regulatory capital surplus (at 7% of the Bank Group RWA)	4,484	2,896 (a)-(b)
Additional capital requirement required to maintain 8.5% Tier 1 ratio in Bank Group	1,100	1,049 (c)
Macquarie Group regulatory capital surplus (at 8.5%³ of the Bank Group RWA)	3,384	1,847 (a)-(b)-(c)

1. Pro forma including \$A429m of BCN issued on 8 Oct 14. 2. Calculated at the internal minimum Tier 1 ratio of the Bank Group, which is 7%. 3. Calculated at 8.5% of the Bank Group's RWAs. The 8.5% represents the Basel III minimum Tier 1 ratio of 6% plus 2.5% of capital conservation buffer (CCB), per the minimum requirements in the APRA Prudential Standard APS 110 and BIS respectively. The 2.5% CCB is not required by APRA until 2016 and by BIS until 2019.

Macquarie Group APRA Basel III regulatory capital

Bank Group contribution



30 September 2014	Risk Weighted Assets \$Am	Tier 1 Deductions \$Am	Capital Requirement ¹ \$Am
Credit risk			
On balance sheet	42,150		2,951
Off balance sheet	12,735		891
Credit risk total	54,885		3,842
Market risk	4,659		326
Operational risk	8,377		586
Other ²	2,022	2,885	3,027
Contribution to Group capital calculation	69,943	2,885	7,781

1. The capital requirement is calculated as the capital required for RWA, at the internal minimum Tier 1 ratio of the Bank Group (7%), plus Tier 1 deductions. 2. Risk weighted assets include 6% IRB uplift. Tier 1 deduction includes deduction for equity exposure required under APRA Basel III rules.

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 1 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 some 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 39% and 82% of face value; average 51%
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 Bank Book equity investments, plus net long Trading Book holdings in financial institutions.

Macquarie Group regulatory capital

Non-Bank Group contribution



30 September 2014	Assets \$Ab	Capital Requirement \$Am	Equivalent Risk Weight
Funded assets			
Cash and liquid assets	1.7	23	17%
Loan assets ¹	1.2	137	142%
Debt investment securities	0.9	85	119%
Co-investment in Macquarie-managed funds and other equity investments	3.4	1,662	620%
Co-investment in Macquarie-managed funds and other equity investments (relating to investments that hedge DPS plan liabilities)	0.2		
Property, plant & equipment and intangibles ²	0.7	310	554%
Non-Bank Group deposit with MBL	3.7		
Net trading assets	1.4		
Total Funded Assets	13.2	2,217	
Self-funded and non-recourse assets			
Self-funded trading assets	2.3		
Outstanding trade settlement balances	4.2		
Derivative revaluation accounting gross-ups	0.1		
Non-recourse funding	0.1		
Short-term working capital assets	3.5		
Total self-funded and non-recourse assets	10.2		
Total Non-Bank Group assets	23.4		
Off balance sheet exposures, operational, market and other risk, and diversification offset ³		771	
Non-Bank Group capital requirement		2,988	

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



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Glossary



Glossary



\$A / AUD	Australian Dollar
\$C	Canadian Dollar
\$US	United States Dollar
€	Euro
1H15	Half Year ended 30 September 2014
1H14	Half Year ended 30 September 2013
2H14	Half Year ended 31 March 2014
ABN	Australian Business Number
ADI	Authorised Deposit -Taking Institution
AFSL	Australian Financial Services License
Approx.	Approximately
APRA	Australian Prudential Regulatory Authority
ANZ	Australia and New Zealand
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUM	Assets Under Management
AVS	Available for Sale

BCN	Macquarie Bank Capital Notes
BIS	Bank for International Settlements
BFS	Banking and Financial Services
CAF	Corporate and Asset Finance
CCB	Capital Conservation Buffer
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CHESS	Australian Clearing House and Electronic SubRegister System
CMA	Cash Management Account
CVA	Credit Valuation Adjustment
DCM	Debt Capital Markets
DPS	Dividend Per Share
DRP	Dividend Reinvestment Plan
ECAM	Economic Capital Adequacy Model
ECM	Equity Capital Markets
EMEA	Europe, the Middle East and Africa
EPS	Earnings Per Share

Glossary



EUM	Equity Under Management
FIC	Fixed Income and Currencies
FICC	Fixed Income, Currencies and Commodities
FUA	Funds Under Administration
FUM	Funds Under Management
FX	Foreign Exchange
FY07	Full Year ended 31 March 2007
FY09	Full Year ended 31 March 2009
FY14	Full Year ended 31 March 2014
FY15	Full Year ended 31 March 2015
GDR	Global Depository Receipt
IPO	Initial Public Offering
IRB	Internal Ratings-Based
JV	Joint Venture
LNG	Liquefied Natural Gas
M&A	Mergers and Acquisitions
MacCap	Macquarie Capital

MAST	Metals and Agriculture, Sales and Trading
MBL	Macquarie Bank Limited
MEC	Metals and Energy Capital
MEIF1	Macquarie European Infrastructure Fund 1
MEREP	Macquarie Group Employee Retained Equity Plan
MFG	Macquarie Funds Group
MGL	Macquarie Group Limited
MGPA	Macquarie Global Property Advisers
MIC	Macquarie Infrastructure Company
MIM	Macquarie Investment Management
MIRA	Macquarie Infrastructure and Real Assets
MPW	Macquarie Private Wealth
MQA	Macquarie Atlas Roads
MSG	Macquarie Securities Group
Mths	Months
Net profit contribution	Management accounting profit before unallocated corporate costs, profit share and income tax

Glossary



NGL	Natural Gas Liquids
No.	Number
NOIP	Net Over Intrinsic Premium
NPAT	Net Profit After Tax
NZ	New Zealand
OECD	Organisation for Economic Co-operation and Development
Operating Income	Revenues less those expenses directly attributable to the revenues
P&L	Profit and Loss
PCM	Private Capital Markets
PPE	Property, Plant and Equipment
PPP	Public Private Partnership
Pty	Proprietary
REIT	Real Estate Investment Trust
RESF	Real Estate Structured Finance
ROE	Return on Equity
RWA	Risk Weighted Assets

SGX	Singapore Exchange
SMSF	Self Managed Super Fund
ST	Short Term
SYD	Sydney Airport
TMET	Telecommunications, Media, Entertainment and Technology
UK	United Kingdom
VaR	Value at Risk



Presentation to investors and analysts

Result announcement for the
half year ended 30 September 2014

31 October 2014