



Macquarie Group Limited

Canberra dinner

2 September 2009



Nicholas Moore, Chief Executive Officer



MACQUARIE

- Global economy
- Shifting dynamic to Asia
- Macquarie's position and outlook





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Global economy: Where are we now?



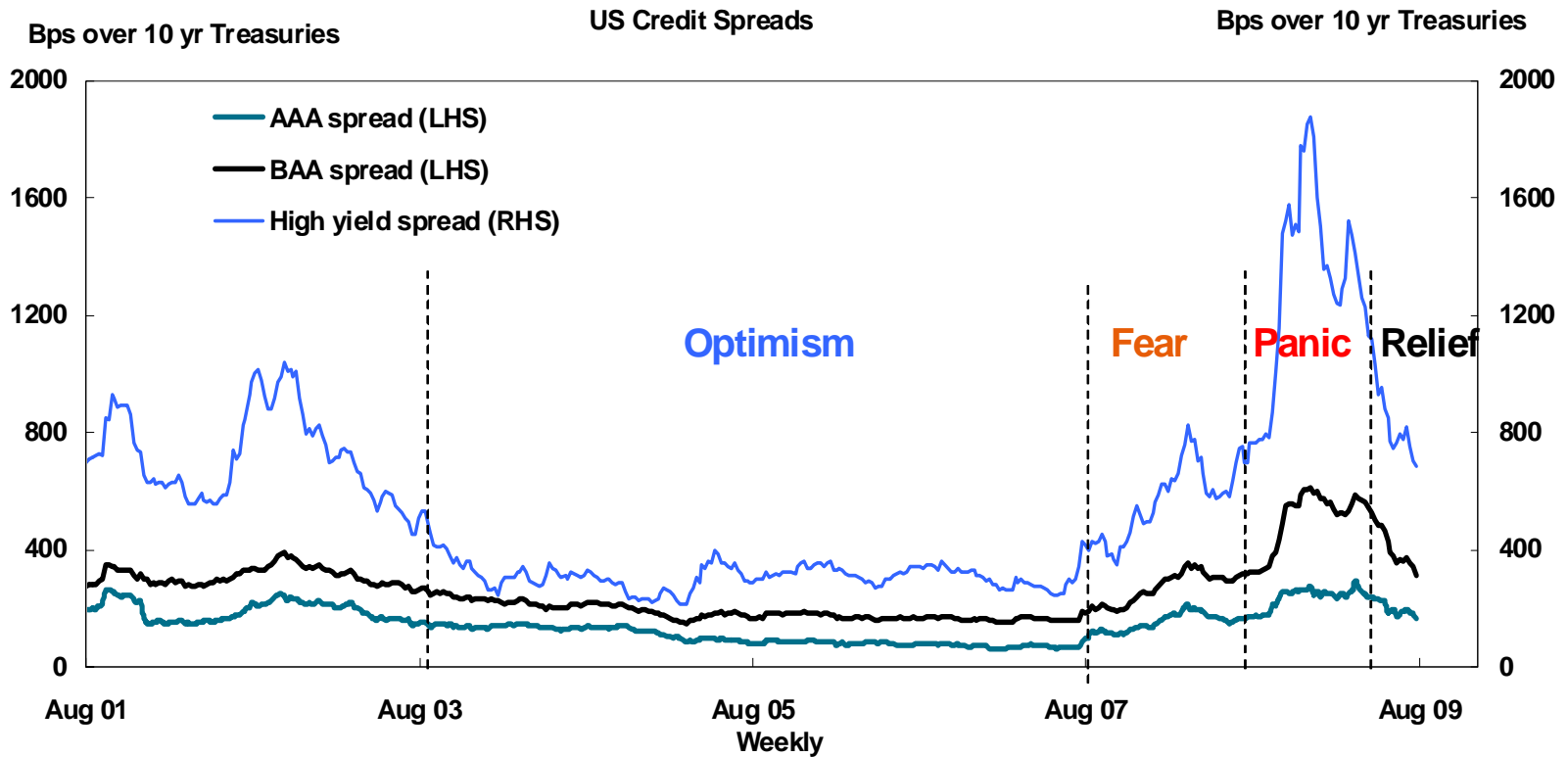


“A major shift towards liquidity projection is really not a market phenomenon. It’s psychological – it’s a fear-induced psychological response.”

Alan Greenspan, 1999



The panic that gripped markets post-Lehman Bros has now subsided





Unprecedented global Government action to restore confidence

- **Monetary policy**

Zero interest rates

\$US1.2 trillion liquidity injection

- **Fiscal policy**

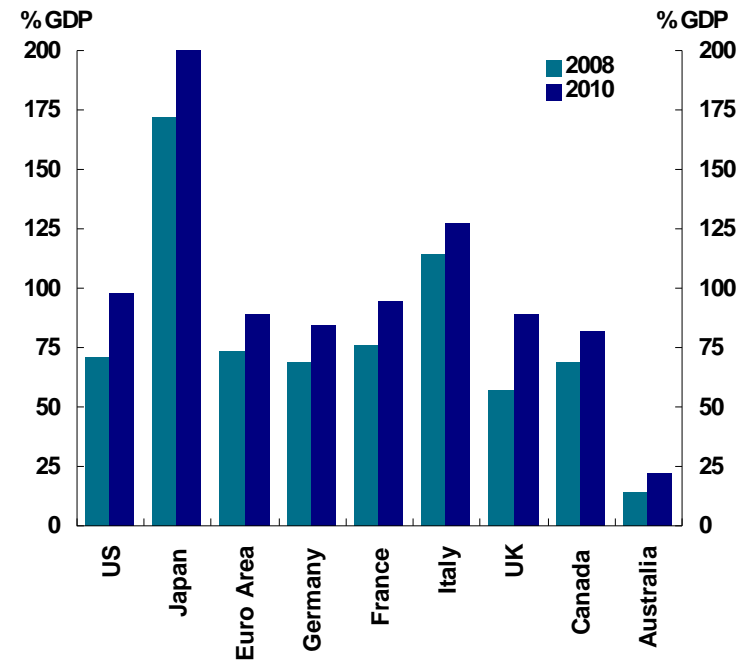
Unprecedented stimulus

- **Banking sector underwrite**

Deposit guarantee

Government equity investment

Short selling ban

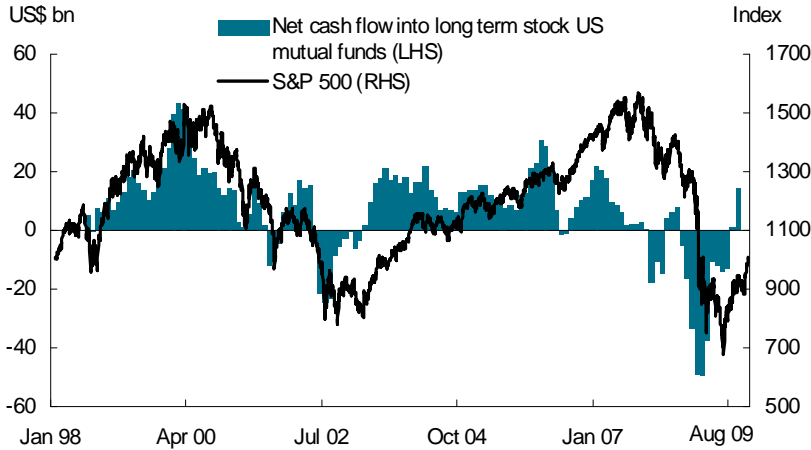


Gross Government debt

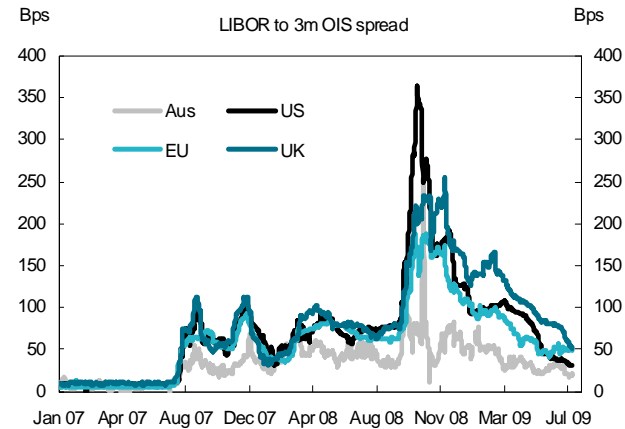


Calm has been restored to financial markets

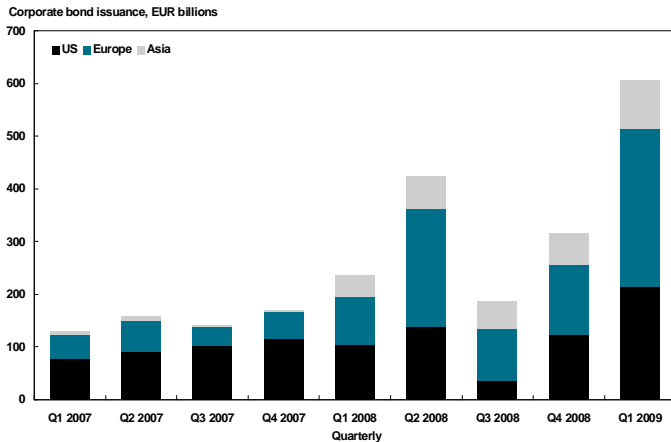
Net funds flow is rising



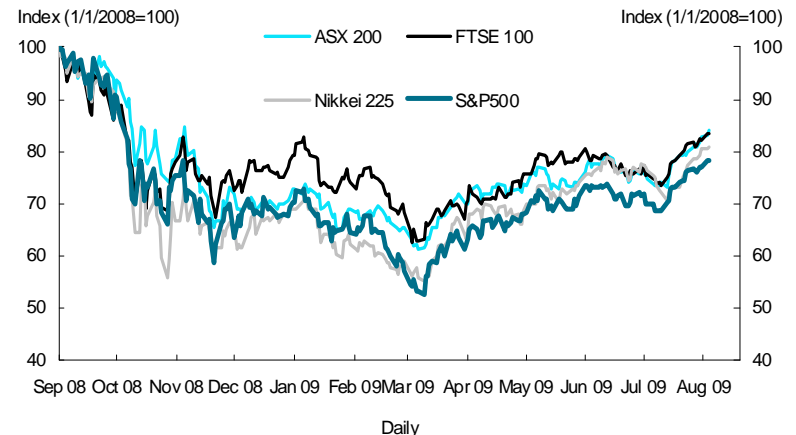
Interbank spreads falling



Credit markets have thawed



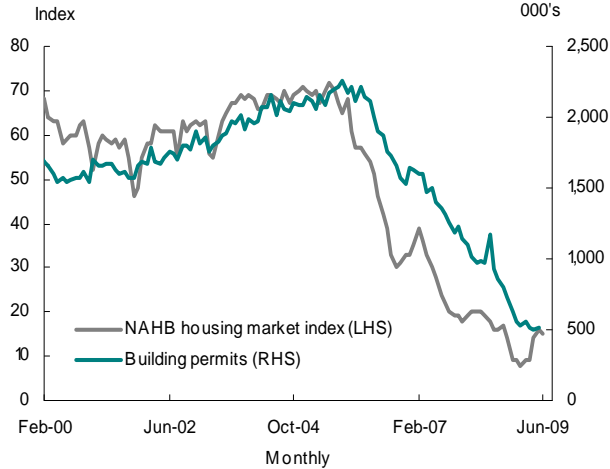
Equity markets are rising



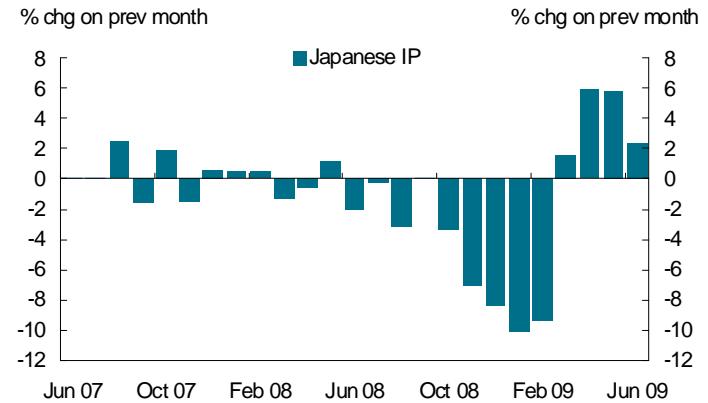


Clear signs of economic stabilisation

US housing market is stabilising



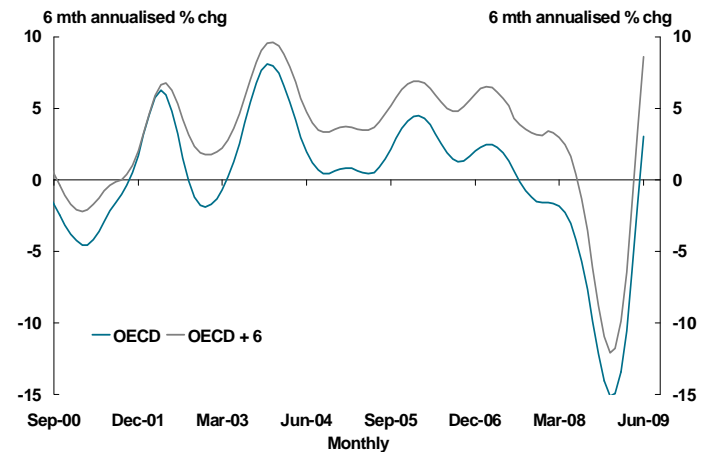
Japanese IP is lifting



German manufacturing has stabilised



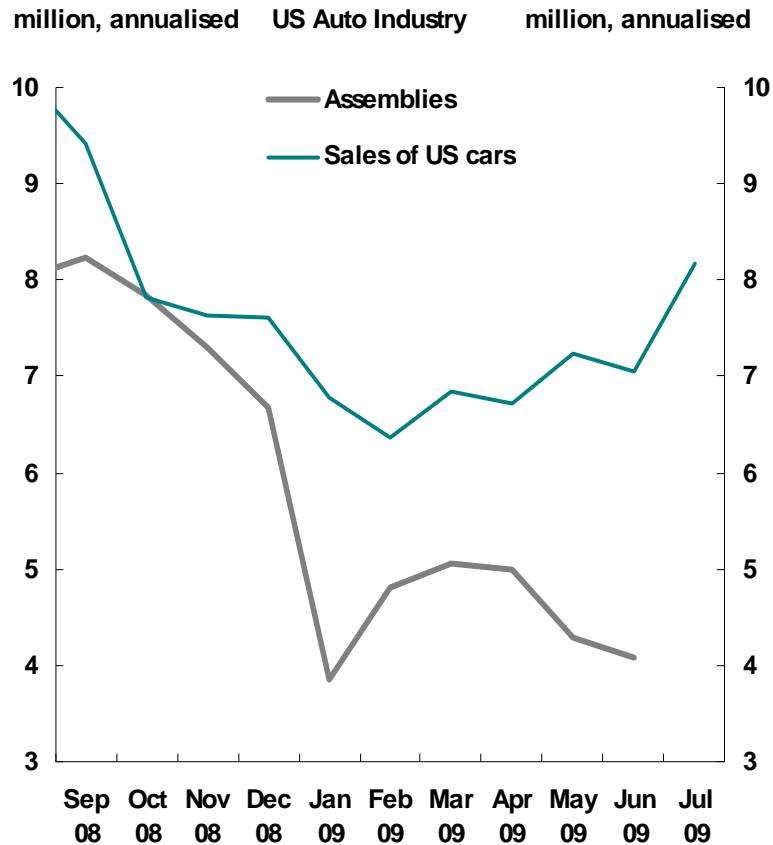
Leading indicators are improving



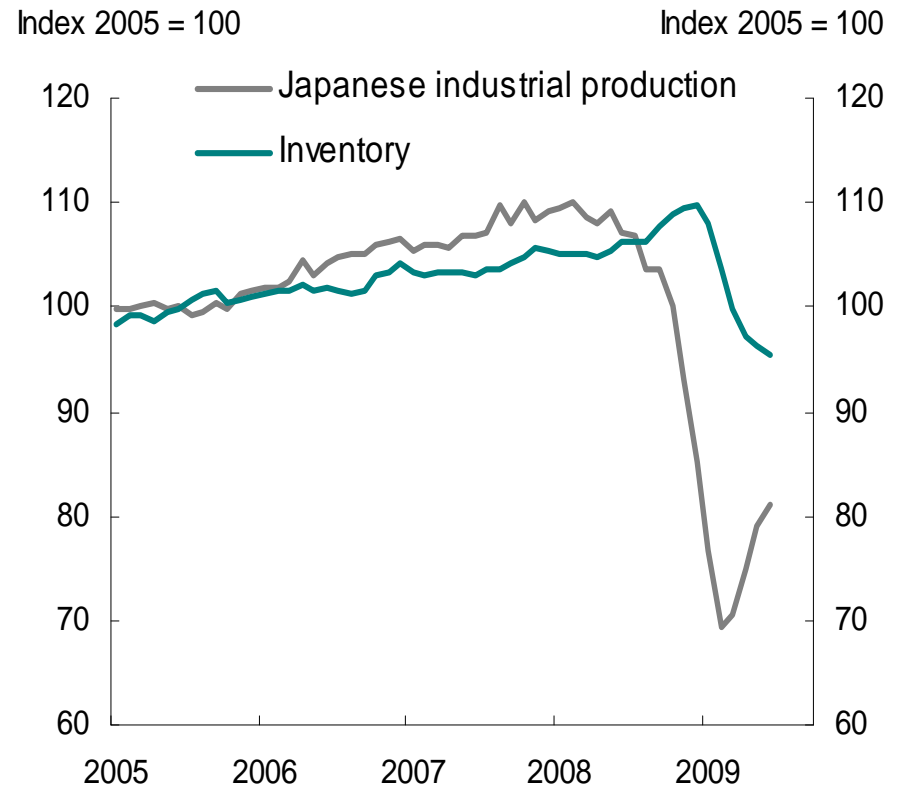


Rebound could be faster than we expect

US domestic auto production is too low

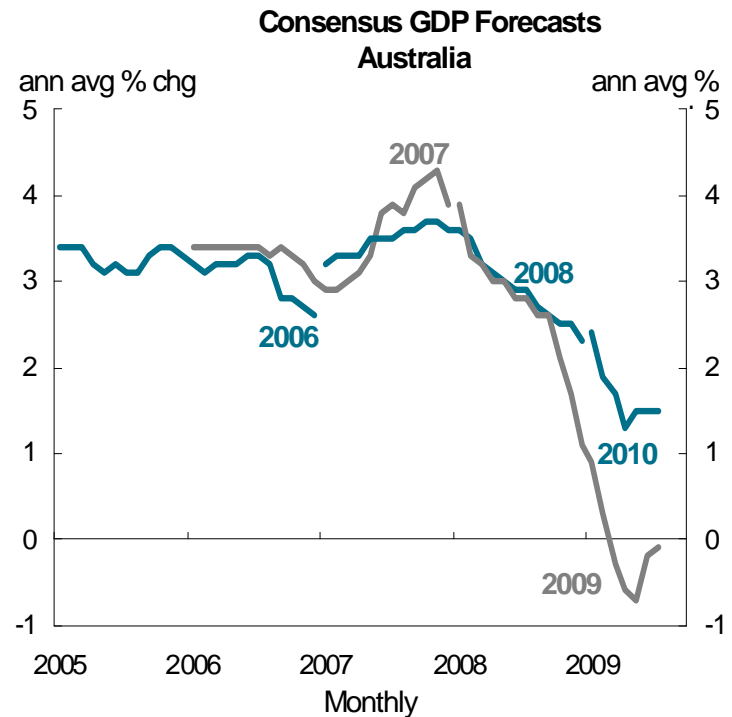
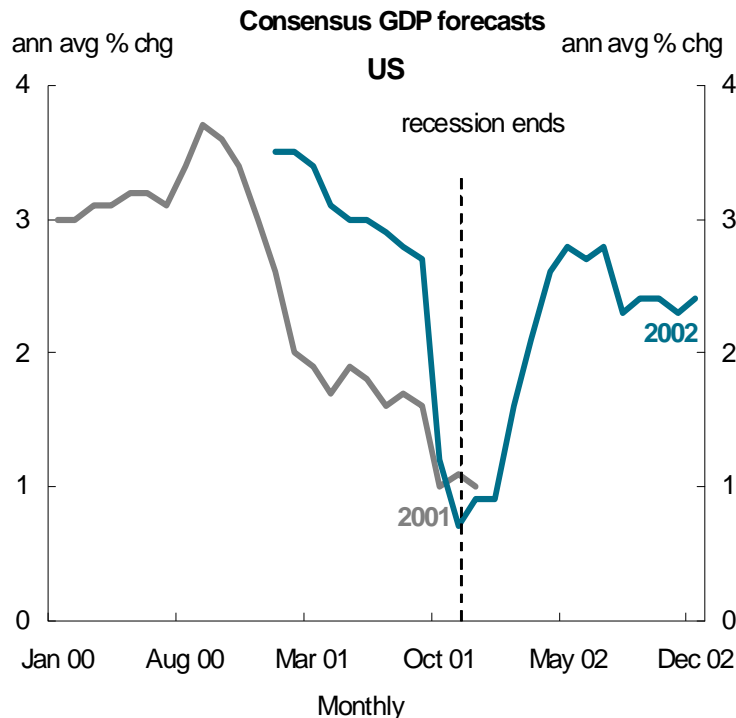


Cuts in Japan even more savage: Production set to bounce in Q2





Forecasts usually lag a pick up in activity



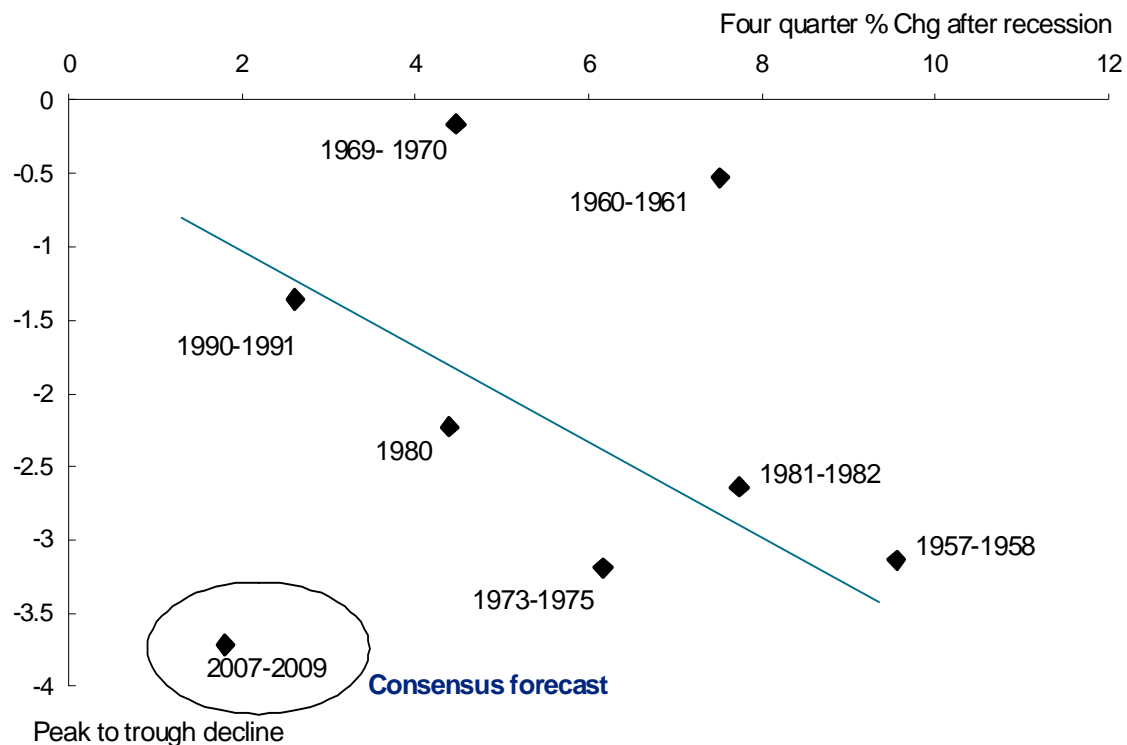
- Consensus forecasts for US GDP were most negative precisely when the last recession ended

- Growth in Australia has already surprised with its resilience



Forecasters may be too pessimistic about the prospects for recovery

Recessions and recovery in US GDP

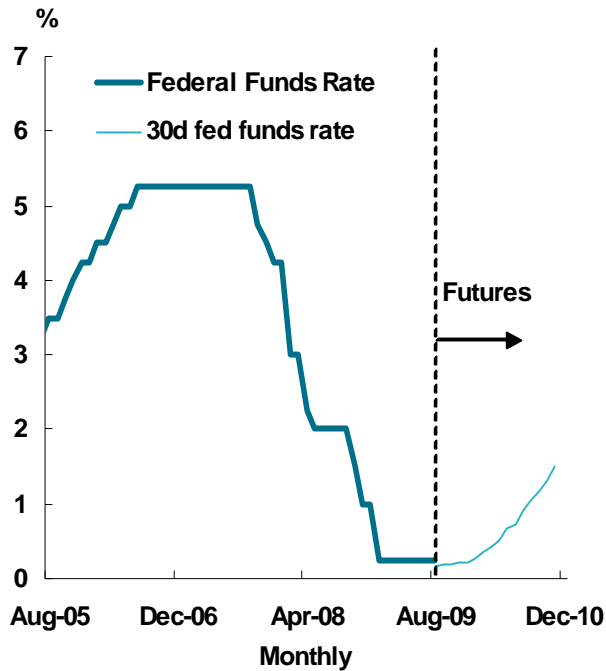


- The estimated rebound in growth in the US is very tepid given the magnitude of the bounce usually seen after recessions

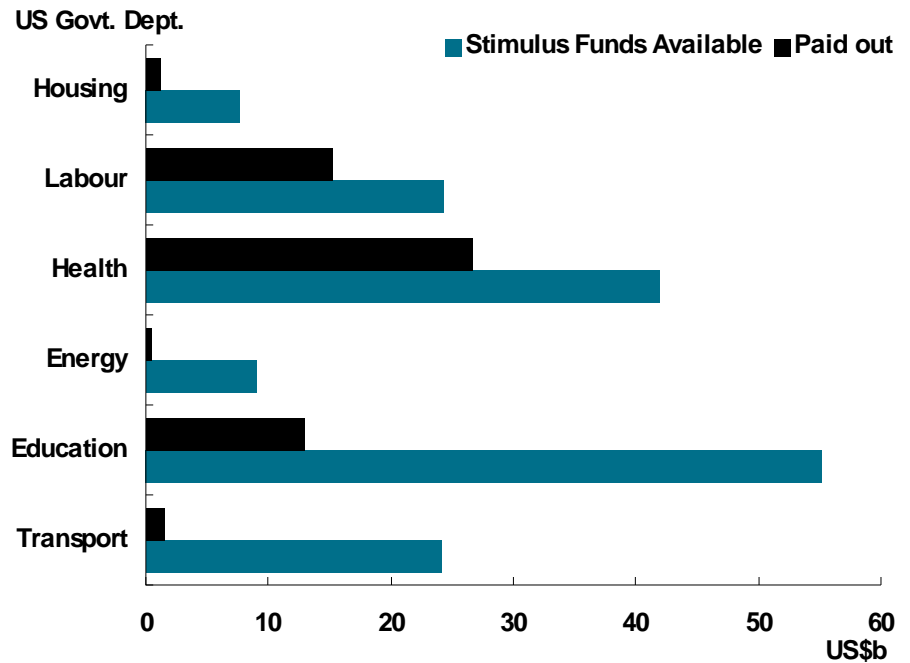


The recovery should prove sustainable

Accommodative monetary policy set to persist



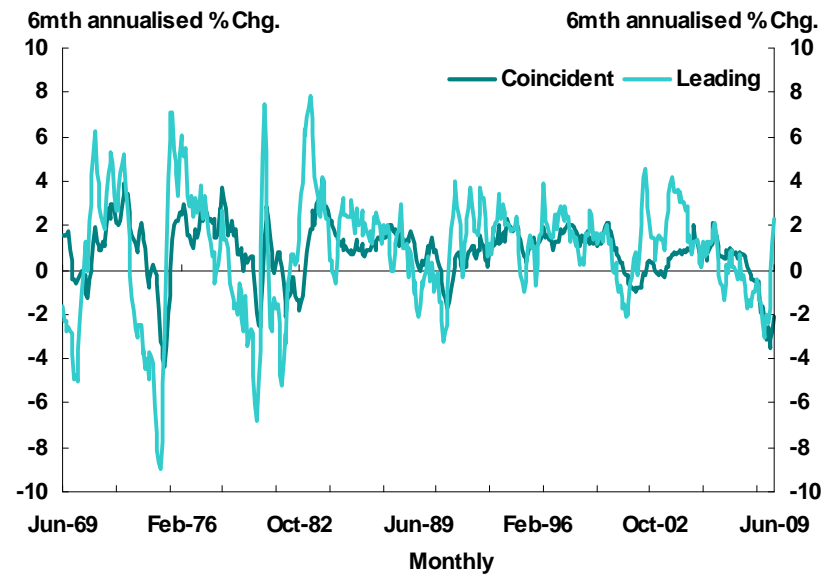
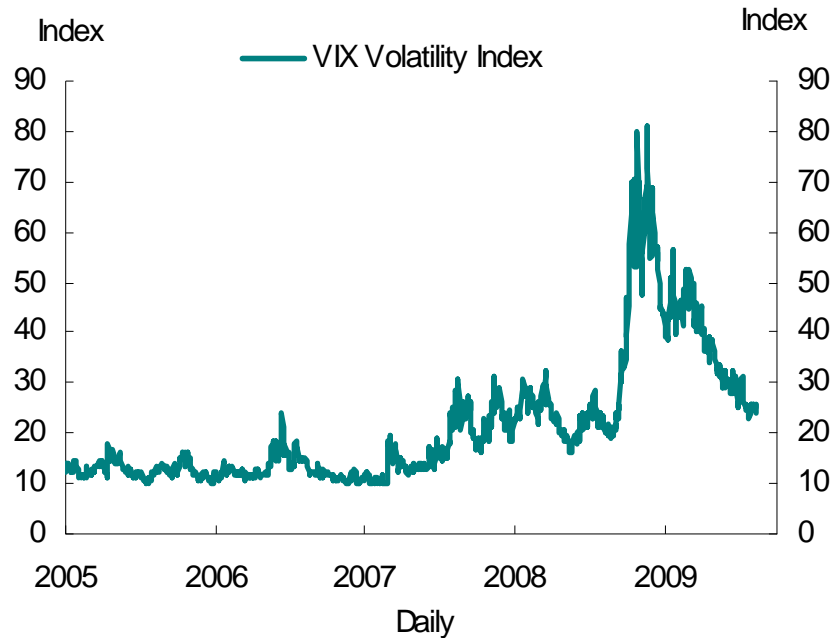
More fiscal stimulus to come





This will drive higher risk appetite

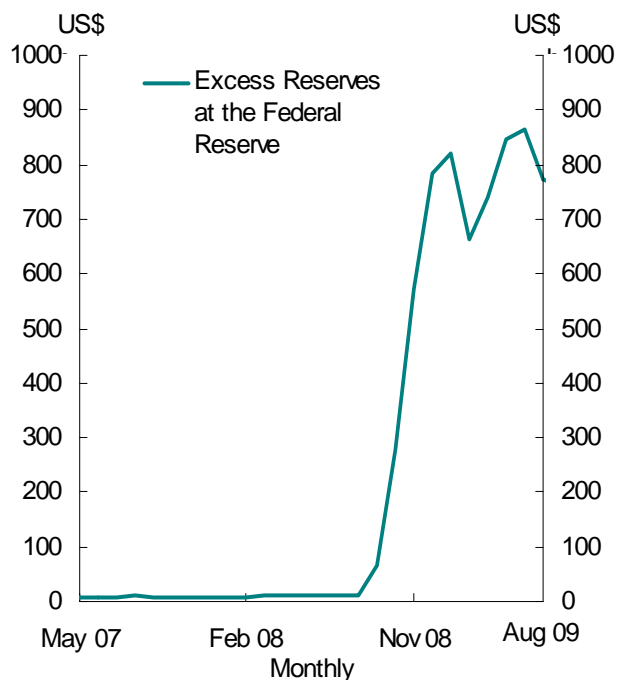
Improving leading indicators



Greater appetite for risk

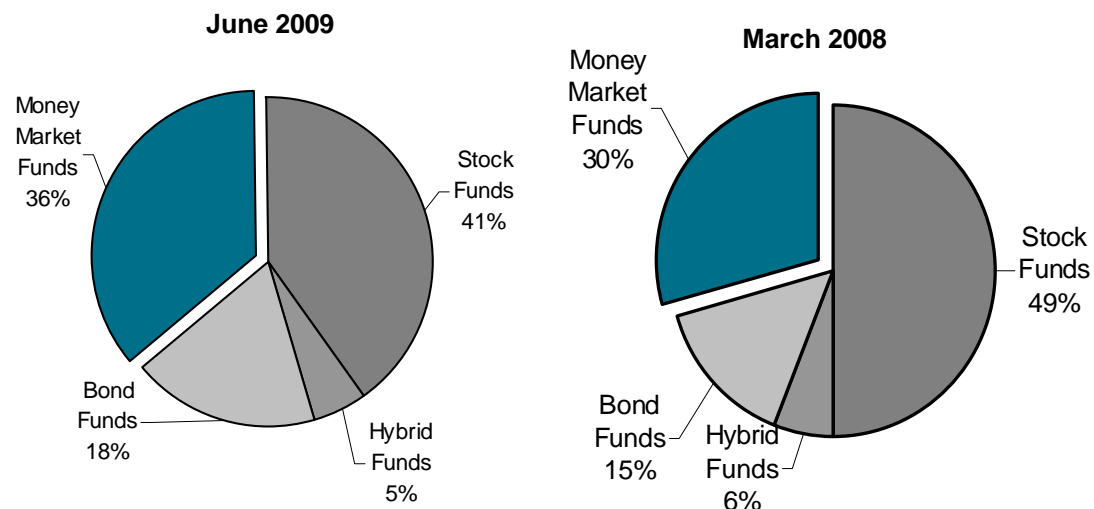


Still plenty of funds sitting on the sidelines



- US banks have almost \$800 billion in reserves at the Fed earning next to no interest

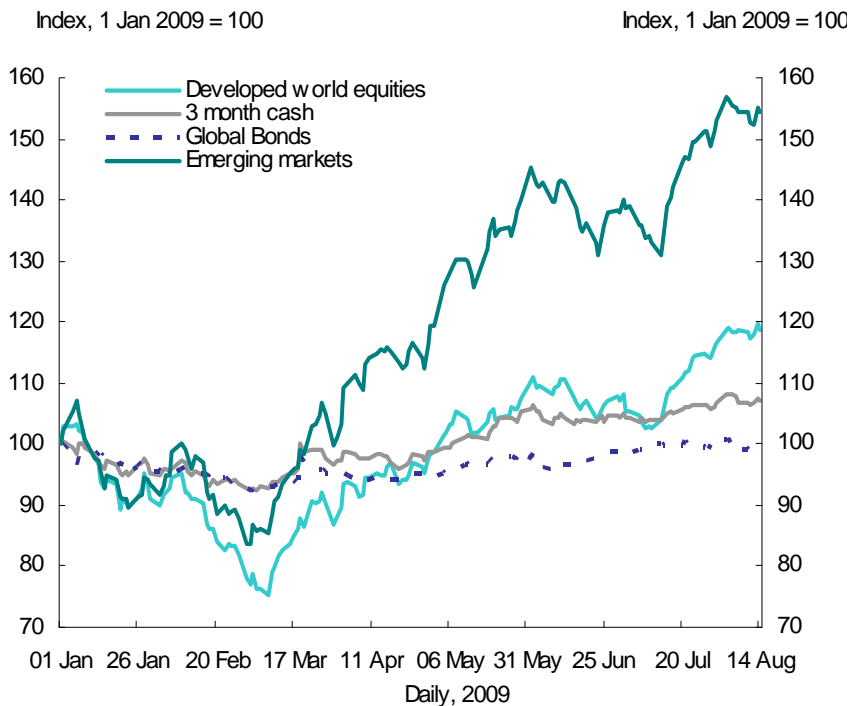
Asset allocation of US mutual funds



- US mutual funds are overweight cash by more than 5%
- \$50 trillion of funds under management globally
- 5% overweight = additional \$2.5 trillion in cash



Investors will focus on relative performance



What drives decision to change investment:

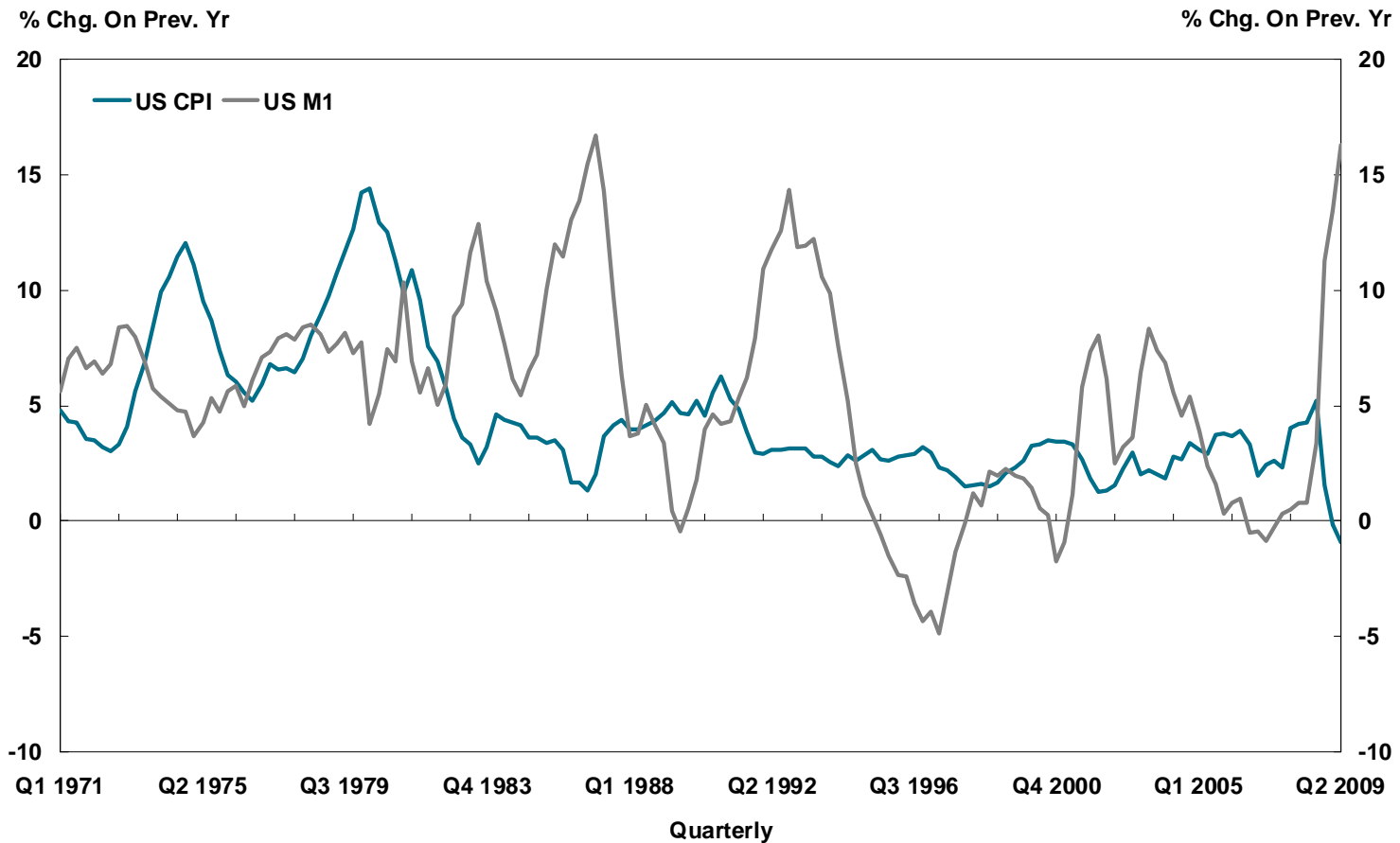
- *Habituation*: Are my returns better or worse than my reference period?
- *Rivalry*: Are my returns better or worse than my reference group?

Happiness: lessons from a new science
Layard, 2005

**Investors may be concerned about economic fundamentals
but are more worried about underperforming**



Increase in monetary supply is driving inflation concerns globally





But asset bubbles are the bigger risk

The attitudes of policy makers are changing

“This crisis should lead to a critical reevaluation of the view that central banks cannot identify or prevent asset bubbles, they can only clean up after asset bubbles burst.”

- William Dudley, President of the Federal Reserve Bank of New York, 26 June 2009

But while there is a will, is there a way?

“To achieve financial stability the powers of the Bank are limited to those of voice and the new resolution powers.”

“So it is not entirely clear how the Bank will be able to discharge its new statutory responsibility if we can do no more than issue sermons or organise burials.”

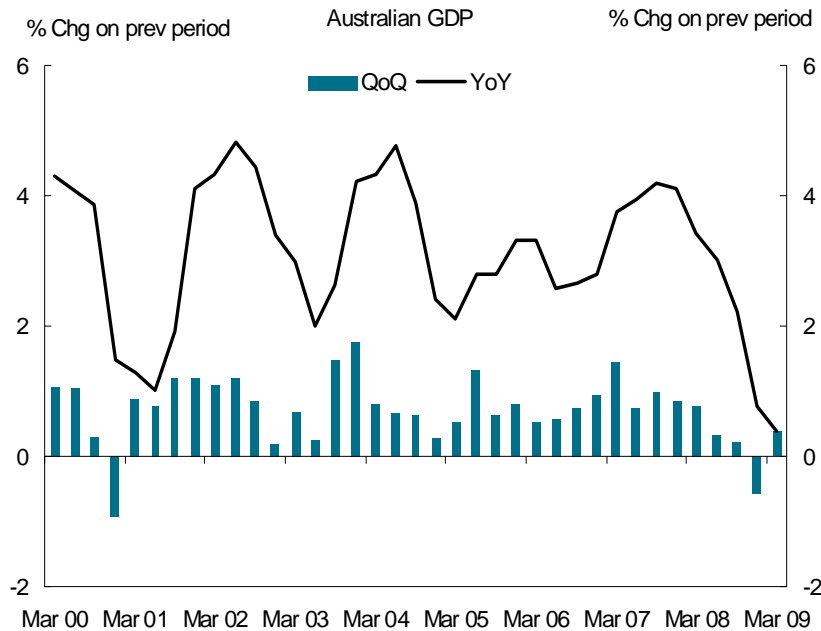
- Mervyn King, Governor of the Bank of England, 17 June 2009

Risk that premature action by central banks will set back recovery

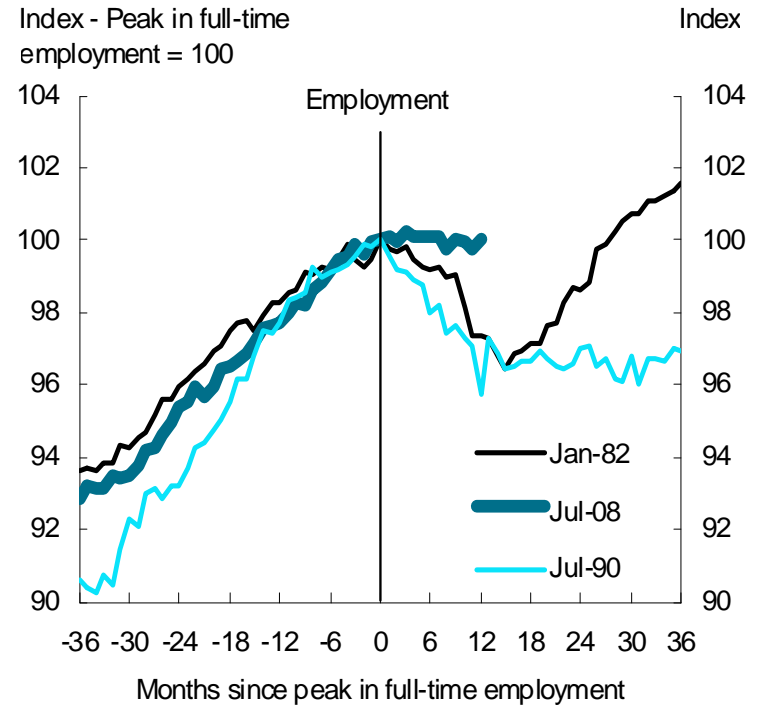


The Australian economy has been remarkably robust through the downturn

Only OECD economy to avoid a technical recession



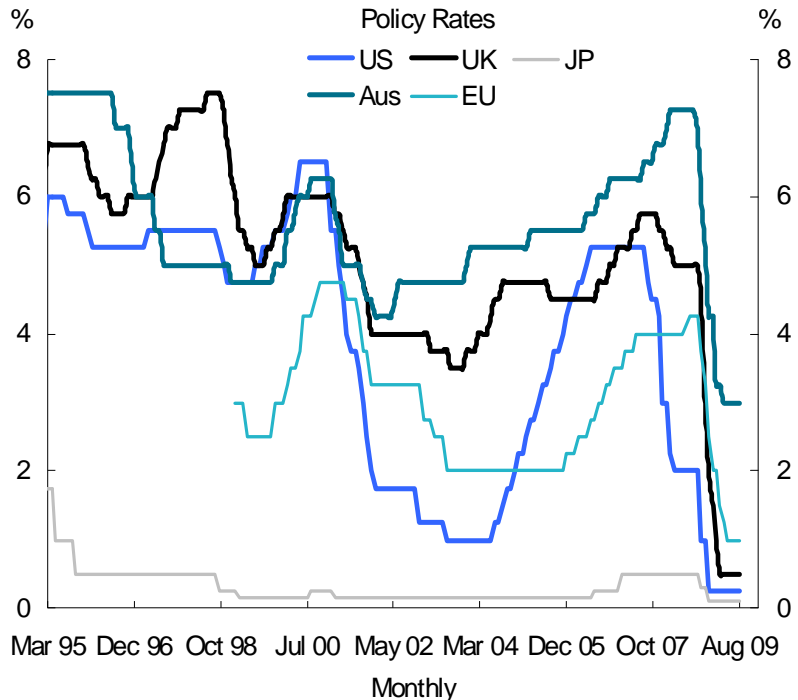
Widespread falls in employment avoided so far



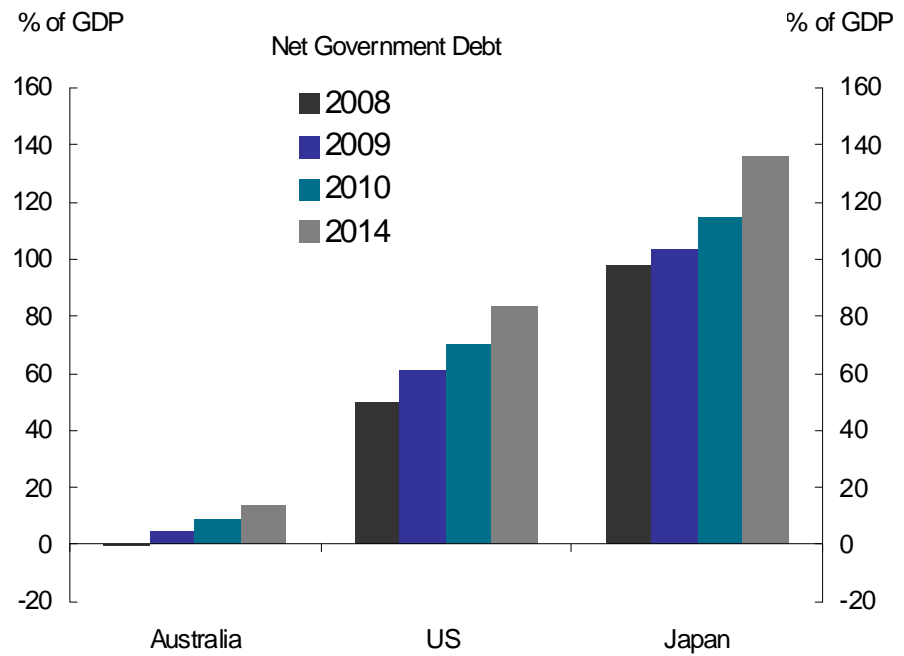


Policy challenge not as difficult as elsewhere

Monetary policy didn't drift into unconventional territory



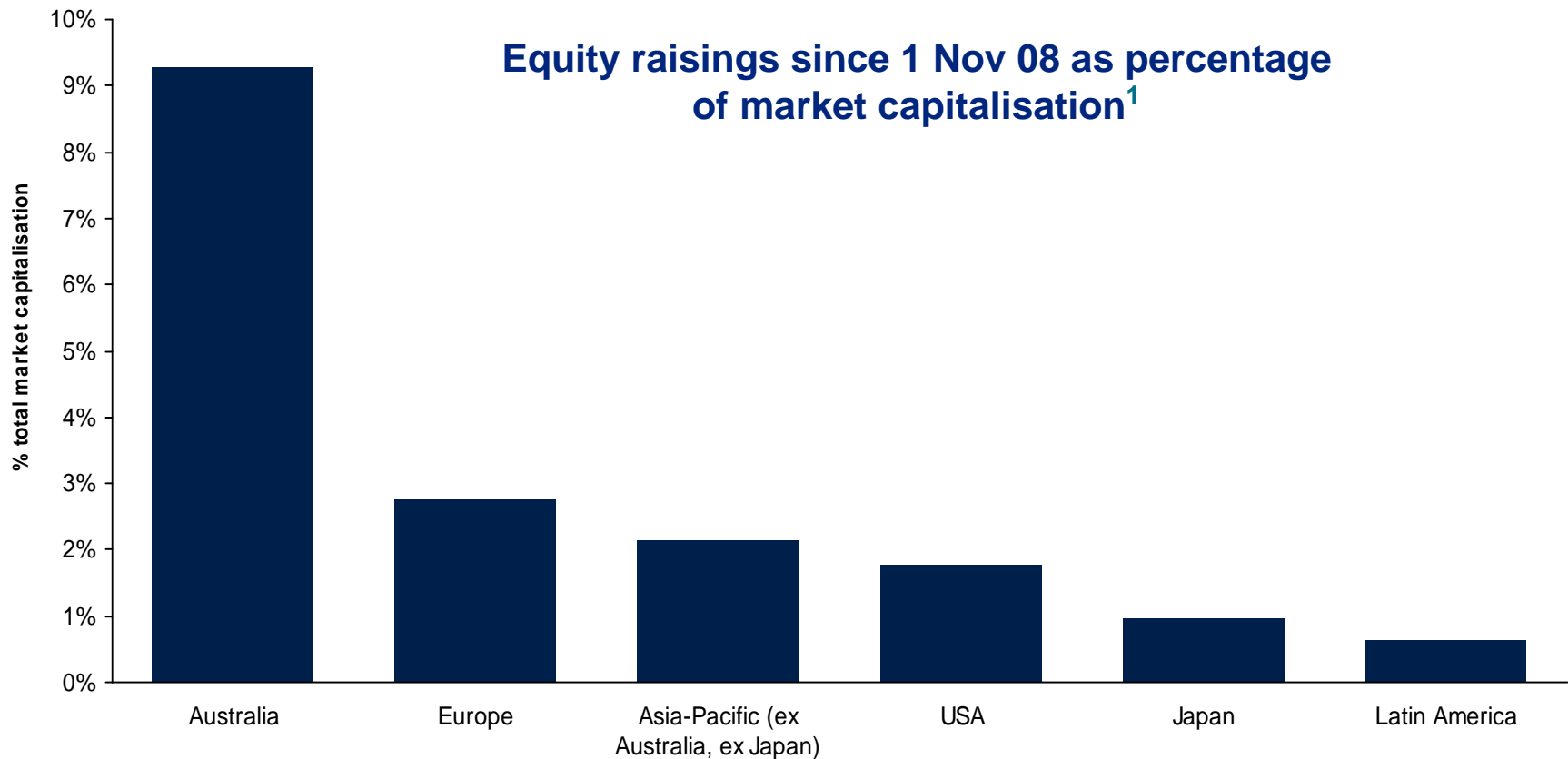
Government debt levels aren't particularly scary





Particularly strong equity capital market activity in Australia

- Approx \$A90b of new equity issued in the Australian market since 1 Nov 08



1. Capital raisings that have been priced or announced since 1 Nov 08 as a percentage of each region's market capitalisation as at 1 Nov 08. Source: Dealogic, Bloomberg 25 Aug 09



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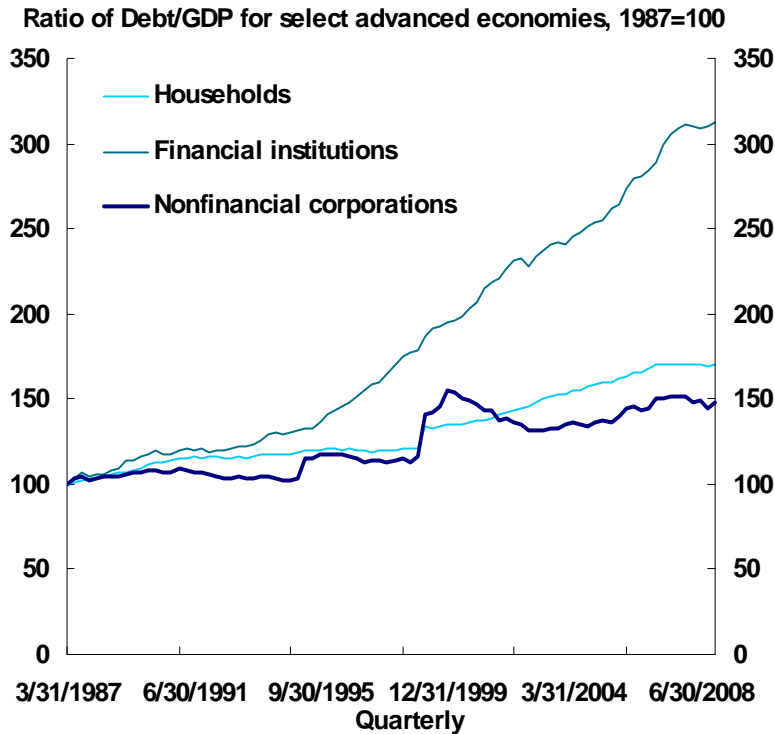
The shifting dynamic to Asia



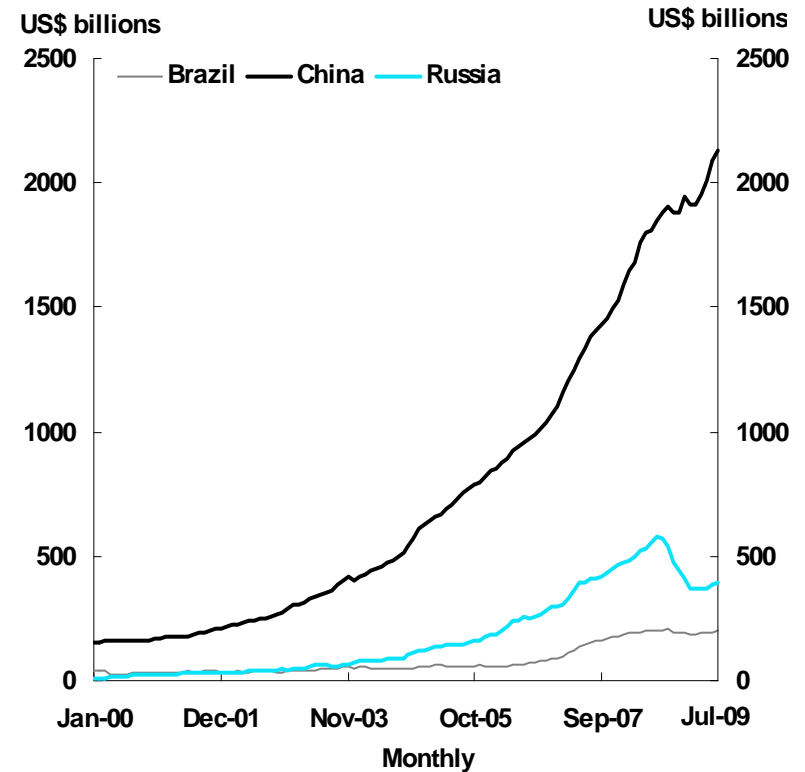


Emerging economies are expected to become increasingly important post GFC

Big balance sheet adjustment for developed economies

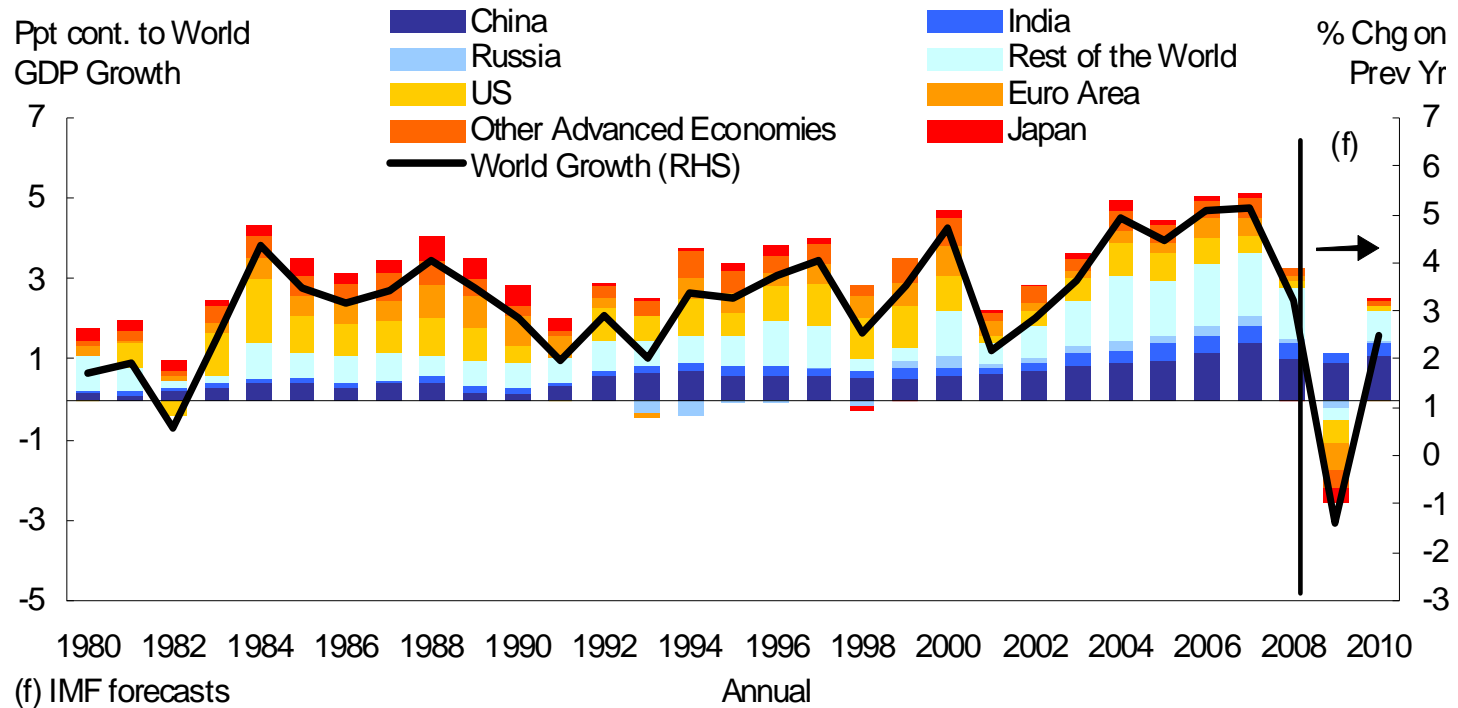


Emerging economies have large financial resources





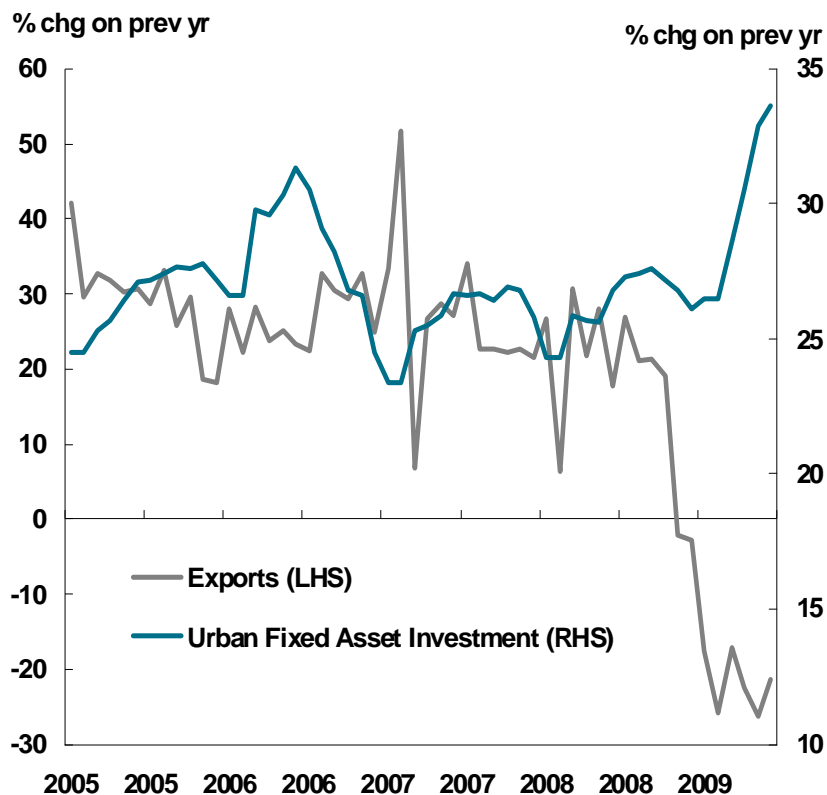
And will continue to drive global growth



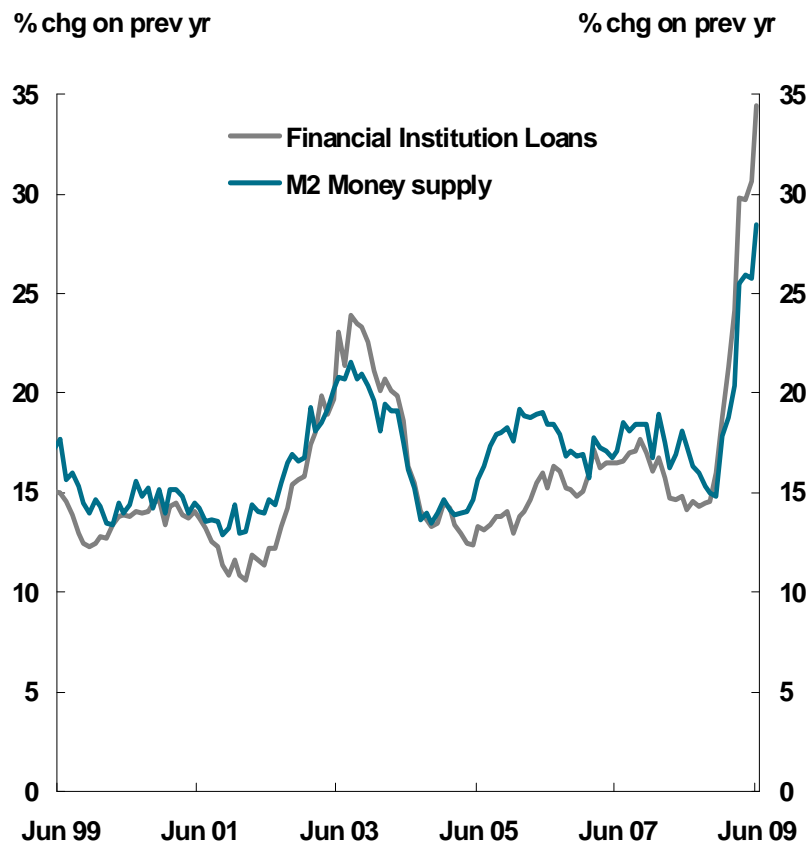


The growth model is changing: Domestic demand is driving China

Fixed asset investment is booming despite sliding exports



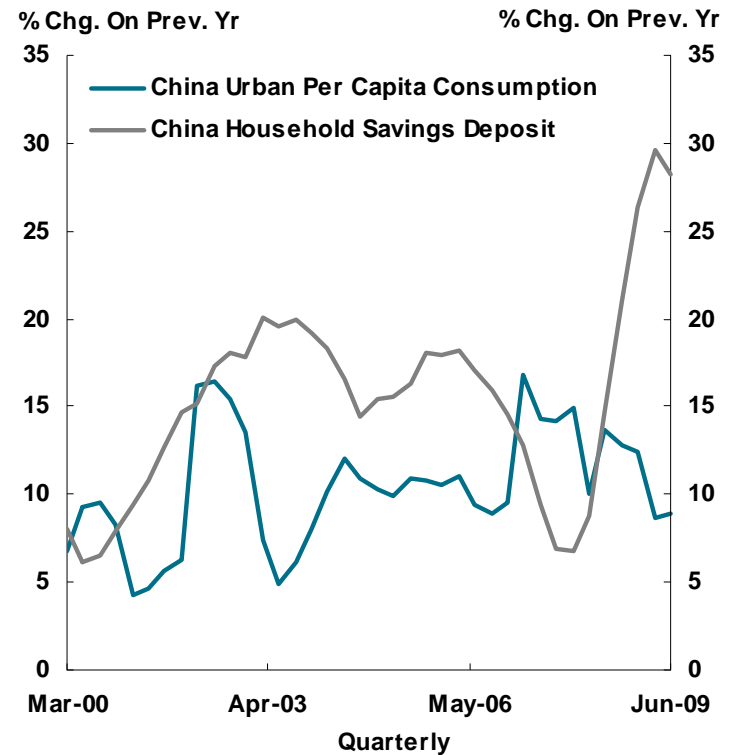
Huge loan growth is supporting the surge





Structural reform the key to sustainability in China

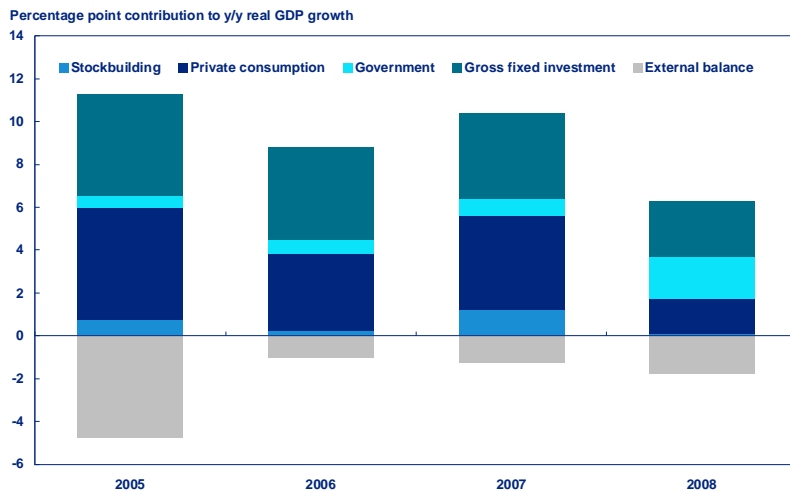
- **Reform of informal finance**
 - To increase funding for private-sector
- **Expansion of social welfare protection**
 - To discourage the precautionary motive for saving
- **Rural land reform**
 - A direct injection of wealth into the economy
- **Unification of China**
 - Reforms to break down national barriers to trade



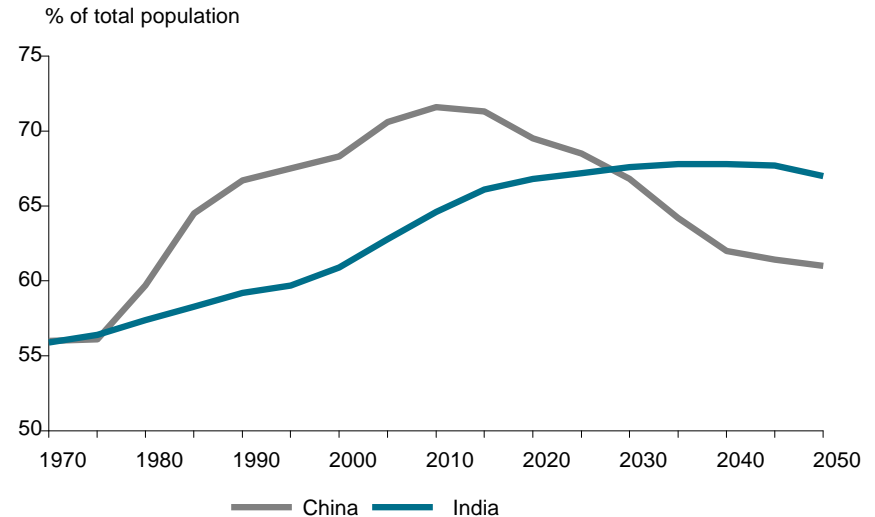


Prospects for growth in India are also increasingly encouraging

Recent growth is powered by domestic investment rather than the external sector



Favourable population dynamics



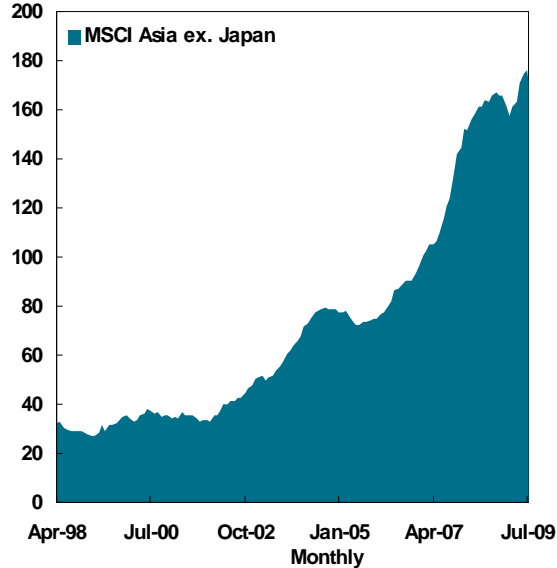
- Recent election result a medium-term positive for growth, with economic reform likely to pick up pace



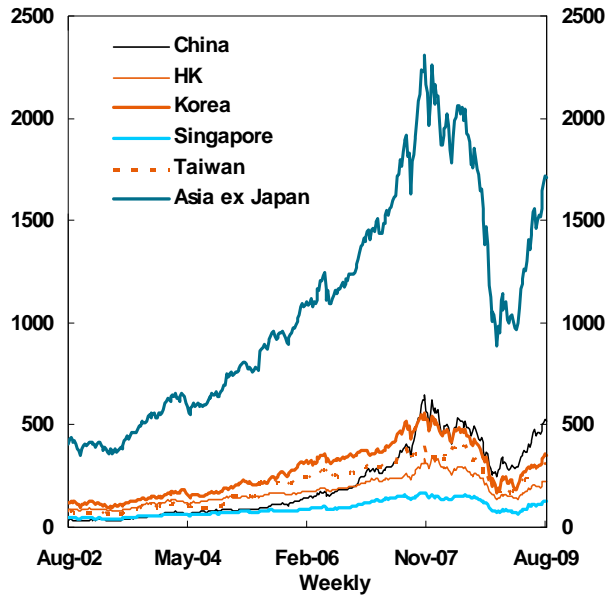
Asia is steadily growing as a commercial and financial hub

Increasing depth and liquidity in Asian equity markets

Turnover, billions- 15mma

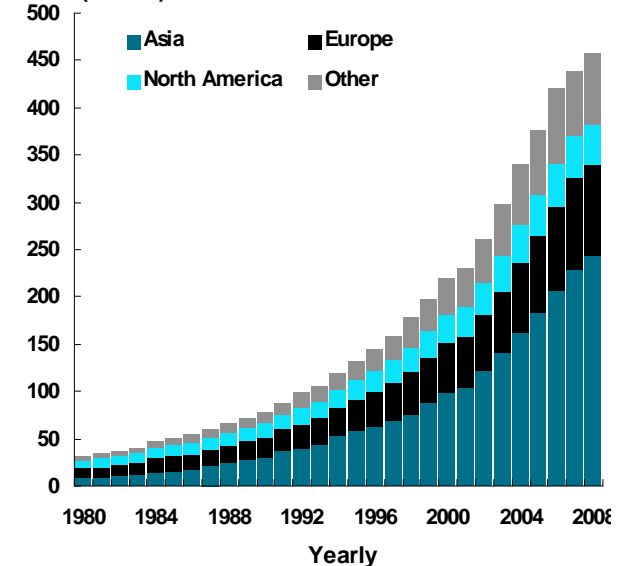


Market Capitalisation, US\$b



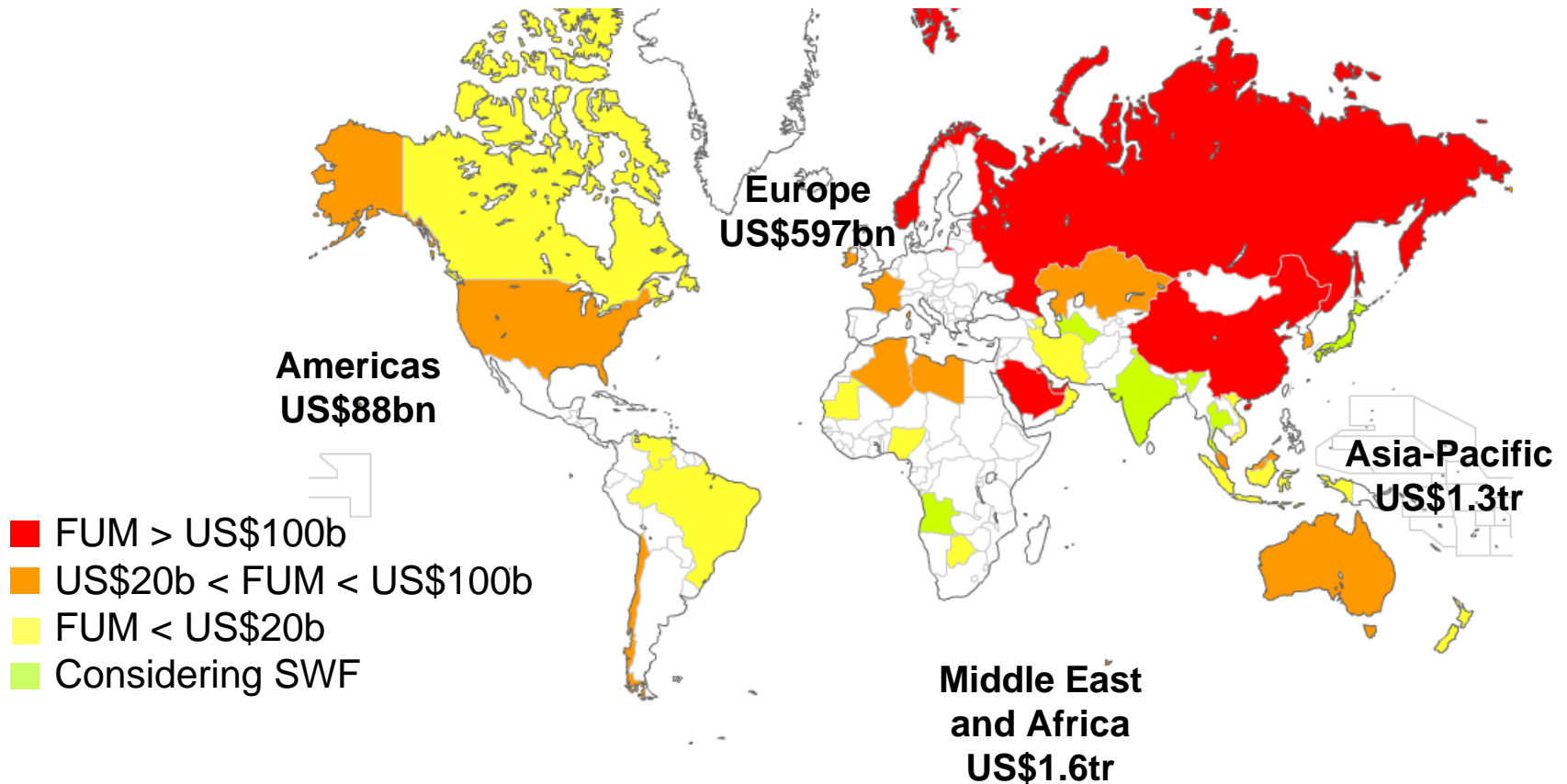
Asian share of global trade has risen substantially

TEUs (million)





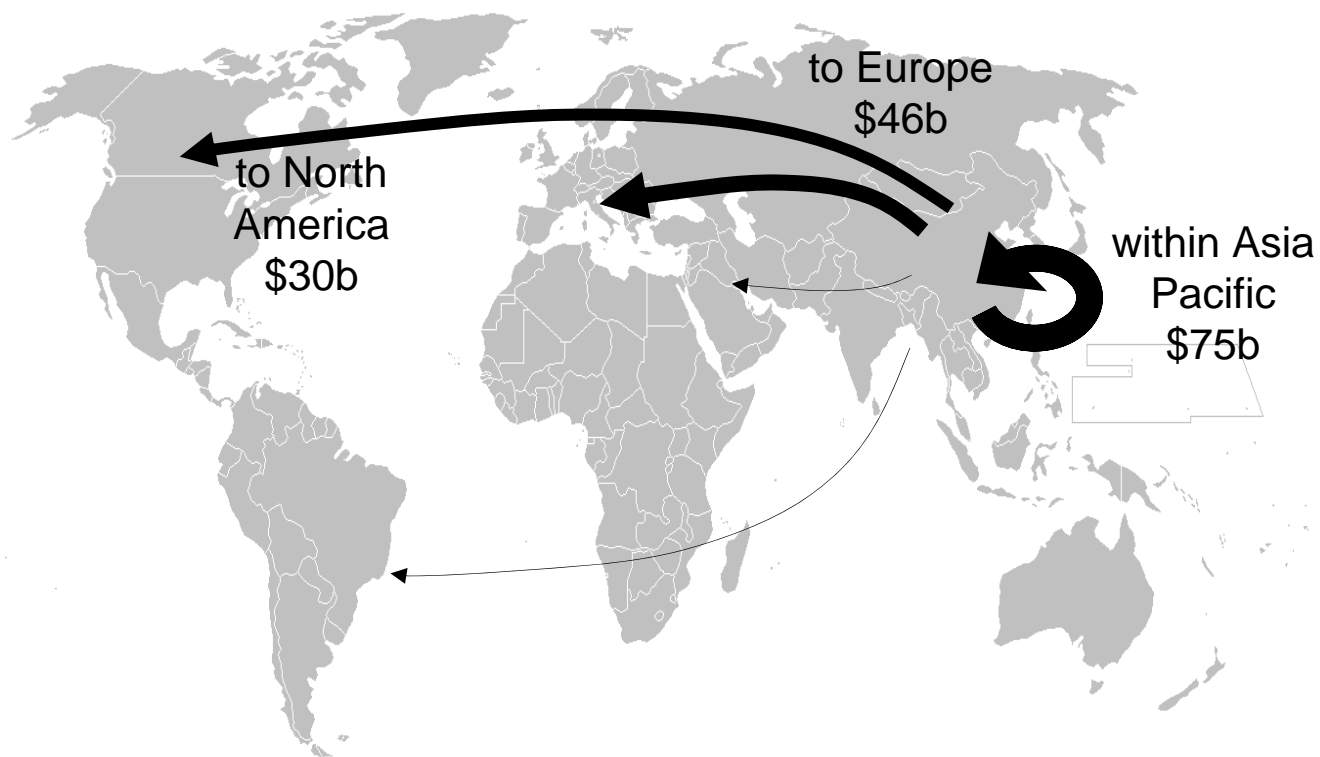
The largest Sovereign Wealth Funds reside in emerging Asia





And are particularly focused on their home region

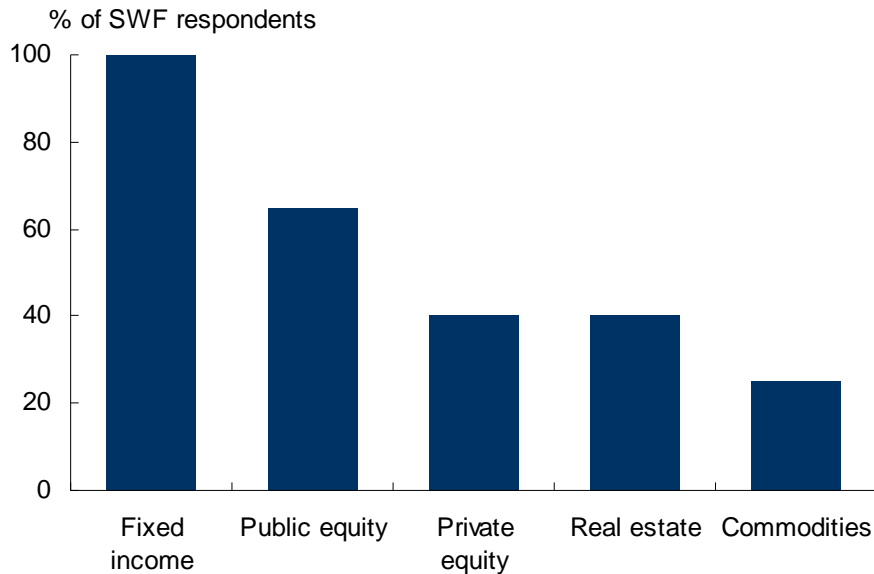
Known SWF equity deals by Asian-based SWFs, 2000 – 1Q2009



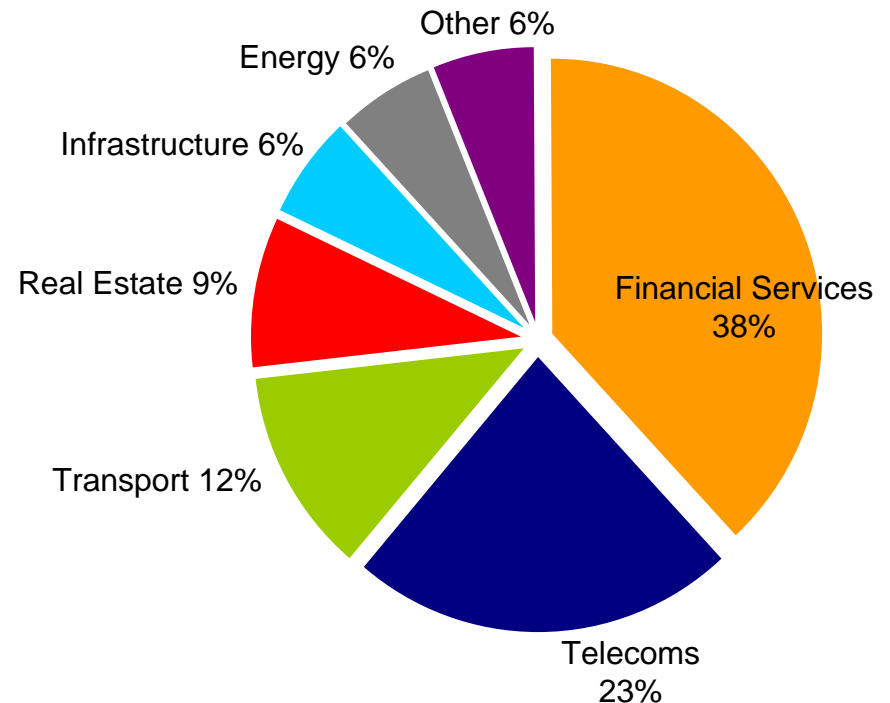


They are also increasingly willing to take on higher-risk, illiquid assets

Eligible Asset Classes



Temasek Holdings by sector, 2005-07





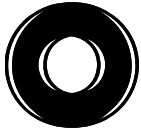
Opportunities for Australia

- Strong demand for **commodities** and potential for leadership in commodities derivatives products
- **Proximity** to 50 of the world's largest companies – and in the fastest growing industries (Source: Fortune magazine, *Fortune 500*, 2009)
 - Strong reputational advantage to support the launch of Australian financial services, legal services and other franchises in the region
- Growing **wealth management opportunities** due to rapidly growing middle class and increasing concentration of high net worth individuals in Asia
- **Financial services**
 - Advisory and risk management services for Asian sovereign and pension funds
 - Significant opportunities for direct investment in financial services entities in Asia



Encouraging signs globally but outlook uncertain

- Outlook still uncertain – however, worst is over
- Signs that activity has stabilised in the US and is poised to rise
- China is already growing strongly
- Medium-term concerns about economic activity remain but financial markets should continue to improve over the next 12 months
- Shifting dynamic to Asia presents opportunities for Australia



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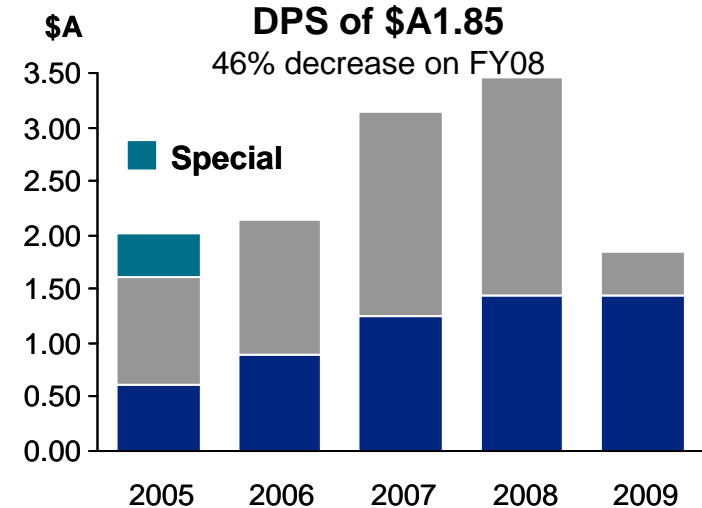
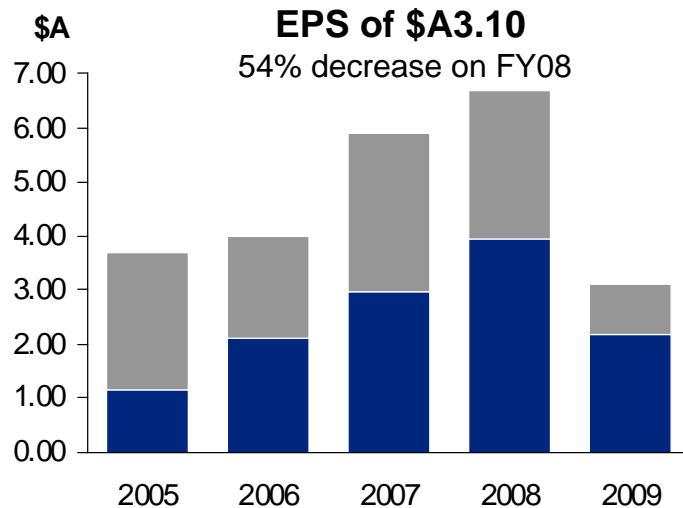
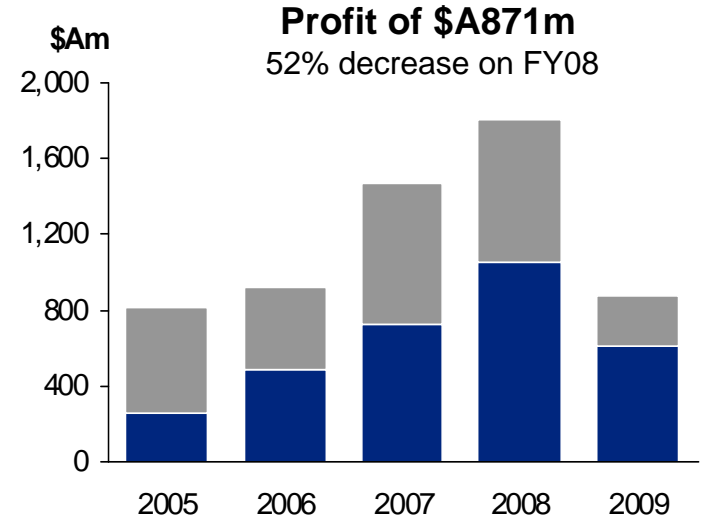
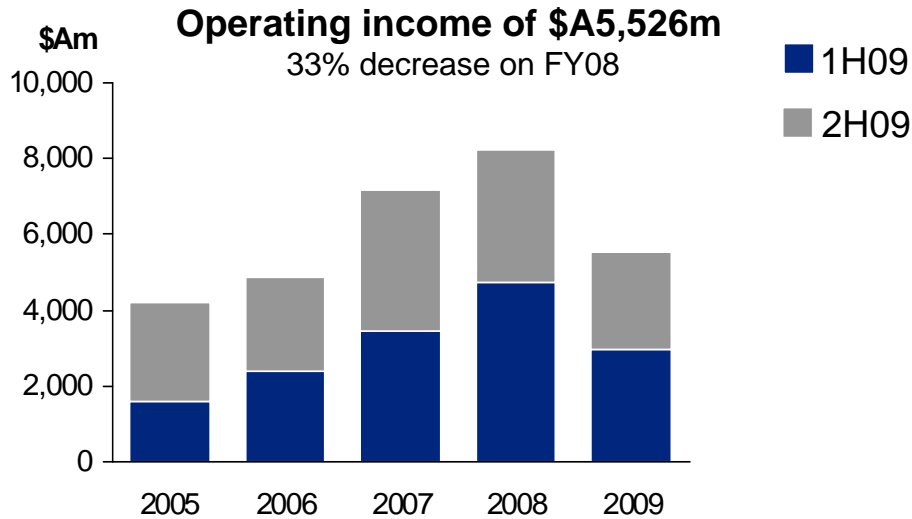
Macquarie's position and outlook





Financial performance

Full year ended 31 March 2009





Successes achieved in a testing year

Macquarie Securities	Macquarie Capital	Macquarie Funds	Treasury and Commodities	Banking and Financial Services
<ul style="list-style-type: none">▪ Cash equities – Retained No.1 in Australia– Asia – leading research rankings▪ Equity derivatives – Market leader in Australia, Singapore, Hong Kong, Korea▪ ECM – \$A11b equity raised▪ Canada growth initiatives▪ US profitable▪ Europe break even	<ul style="list-style-type: none">▪ 299 deals, worth \$A203b:<ul style="list-style-type: none">– Infrastructure: up 38%– Resources: up 245%▪ Ranked No.1 for HK IPOs in CY08 and 4Q09¹▪ Funds:<ul style="list-style-type: none">– \$A8b equity raised– Over \$A6b available equity in unlisted funds	<ul style="list-style-type: none">▪ First quartile performance:<ul style="list-style-type: none">– Credit– Global REITs– Quantitative equities	<ul style="list-style-type: none">▪ Operating income up 24%:<ul style="list-style-type: none">– FX: up 31%– Energy: up 175%▪ Constellation acquisition	<ul style="list-style-type: none">▪ Retail deposits: up 103%▪ Retail stockbroking – No. 1 in Australia▪ Strong growth in Macquarie Life Insurance▪ Significant expansion of Macquarie Pastoral Fund▪ Exited margin loans, Italian mortgages

1. Source: Bloomberg



First quarter 2010

- Improved operational performance from all major businesses except Macquarie Capital compared to 4Q09
 - Macquarie Capital significantly impacted by timing and size of transactions
- Good contributions from:
 - Macquarie Securities
 - Treasury and Commodities
 - Banking and Financial Services
- Continue to see a number of one-off items including:
 - Gain of approx \$A180m on financing acquisition of MIPS and buyback of subordinated debt
 - Unrealised loss of \$A200m relating to fair value adjustments of issued fixed rate subordinated debt
- As previously foreshadowed, high levels of cash continue to be a drag on current earnings
- Total staff approx 12,500



Diversified by region

International income¹ 52% of total
International staff 43%² of total

EUROPE, MIDDLE EAST & AFRICA³

Income: \$A916m
(20% of total)



ASIA PACIFIC

Income: \$A1,072m
(24% of total)



AMERICAS

Income: \$A359m⁵
(8% of total)



AUSTRALIA

Income: \$A2,207m
(48% of total)

1. Income for year to 31 Mar 09. Income in each region excludes earnings on capital and other corporate items. 2. Based on staff number as at 31 Mar 09. 3. Excludes staff in Macquarie First South joint venture. 4. Staff seconded to joint venturer not included in official headcount (Moscow: Macquarie Renaissance, Savannah: Medallist). 5. Contribution for the year to 31 Mar 09 impacted by impairments and equity accounted losses. Contribution for the year to 31 Mar 08 included significant asset realisations

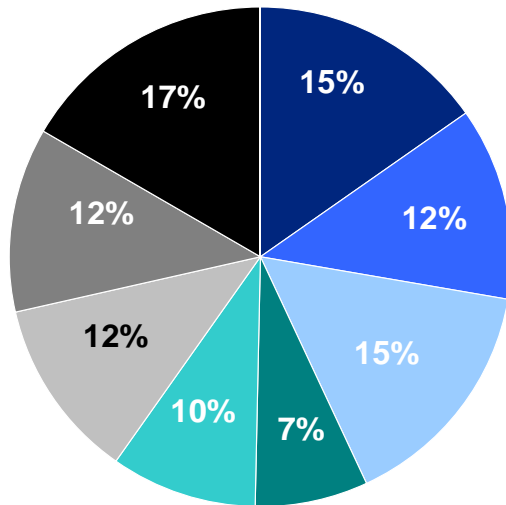


Diversified income

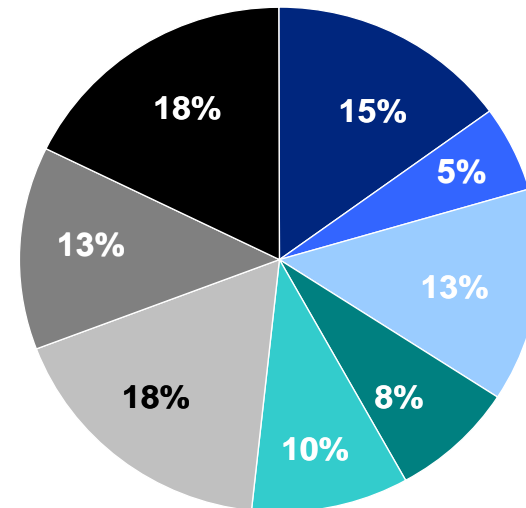
Operating income by source

Operating income (before loan provisions, impairment charges, equity accounted losses and one-off items of income) down 14% on pcp

6 months to 30 Sep 08
\$A4.1b



12 months to 31 Mar 09
\$A7.6b



■ Lending, leasing and margin related income

■ Commodities, resources and foreign exchange

■ Asset and equity investments

■ Third party M&A and advisory income

■ Institutional and retail cash equities

■ Equity derivatives

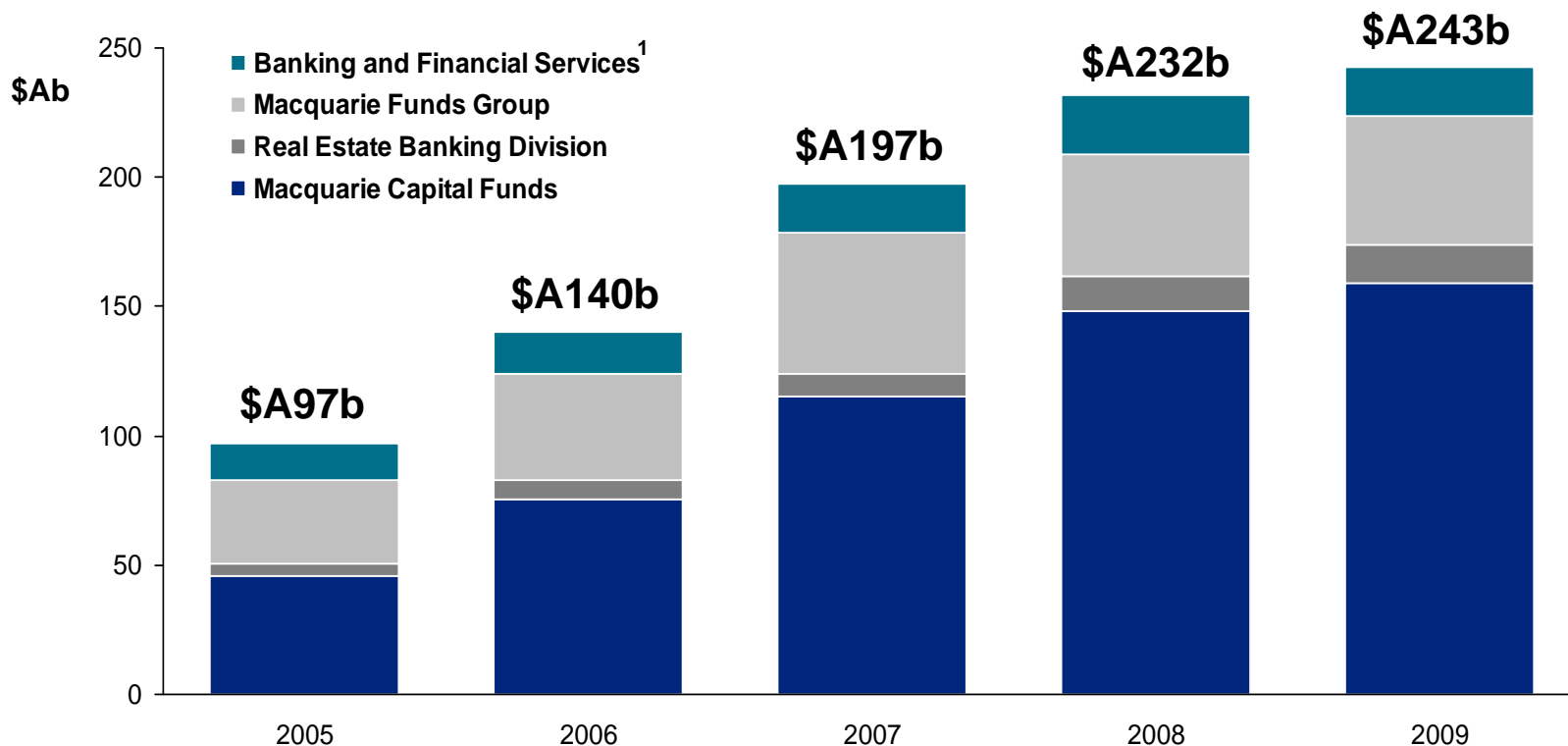
■ Macquarie-managed funds (includes base and performance fees, M&A advisory and underwriting and asset sales)

■ Securities funds management and administration



Assets under management of \$A243b

- Inflows affected by financial market disruption, particularly during Sep qtr
- Movement in \$A exchange rate had a positive effect while impact of declining equity values was negative

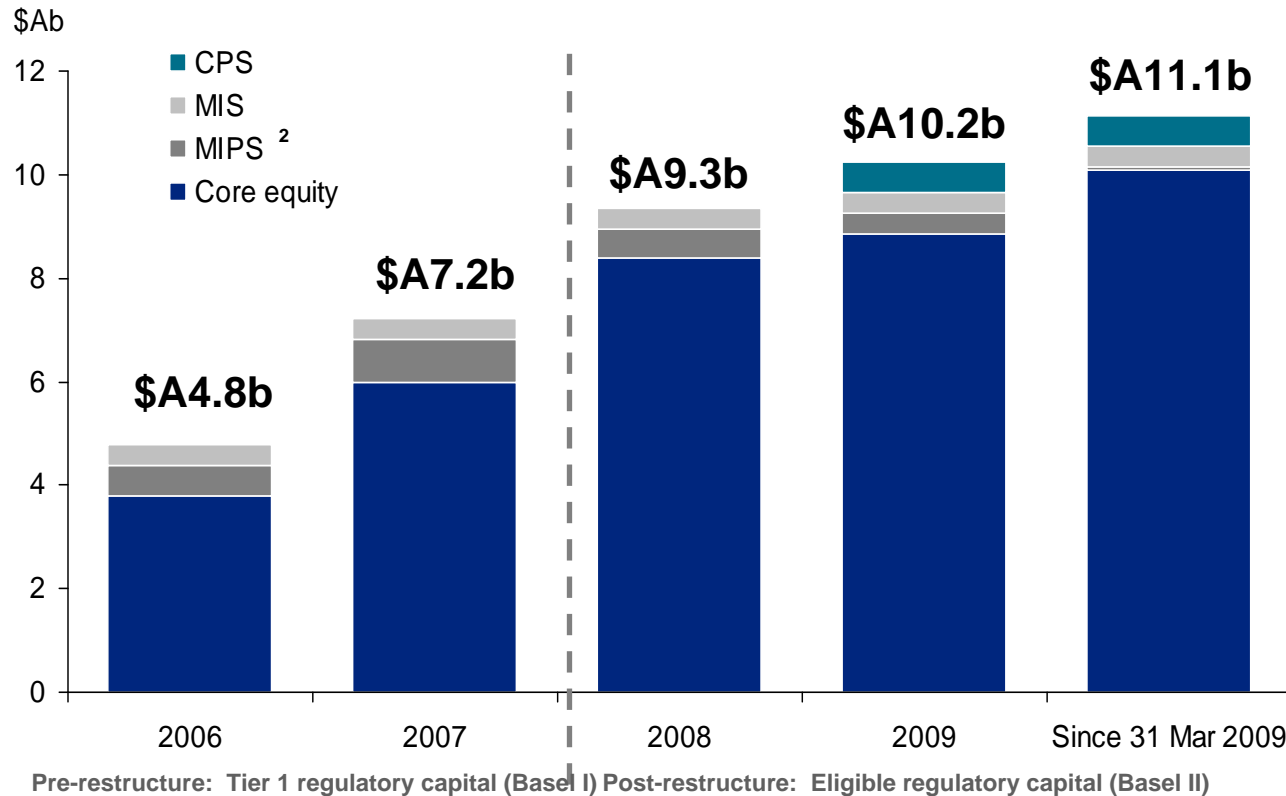


1. The Macquarie CMT, included in BFS AUM above, is a BFS product that is managed by MFG



Consistently strong capital base

- Well capitalised – surplus over minimum regulatory requirements of \$A4.3b
- Increased regulatory capital by approx \$A6.3b over the past three years
 - Majority of capital raised before global financial crisis - \$A3.6b¹



1. From 1 Apr 06 to 31 Jul 07 2. MIPS shown net of amounts held by Macquarie related entities



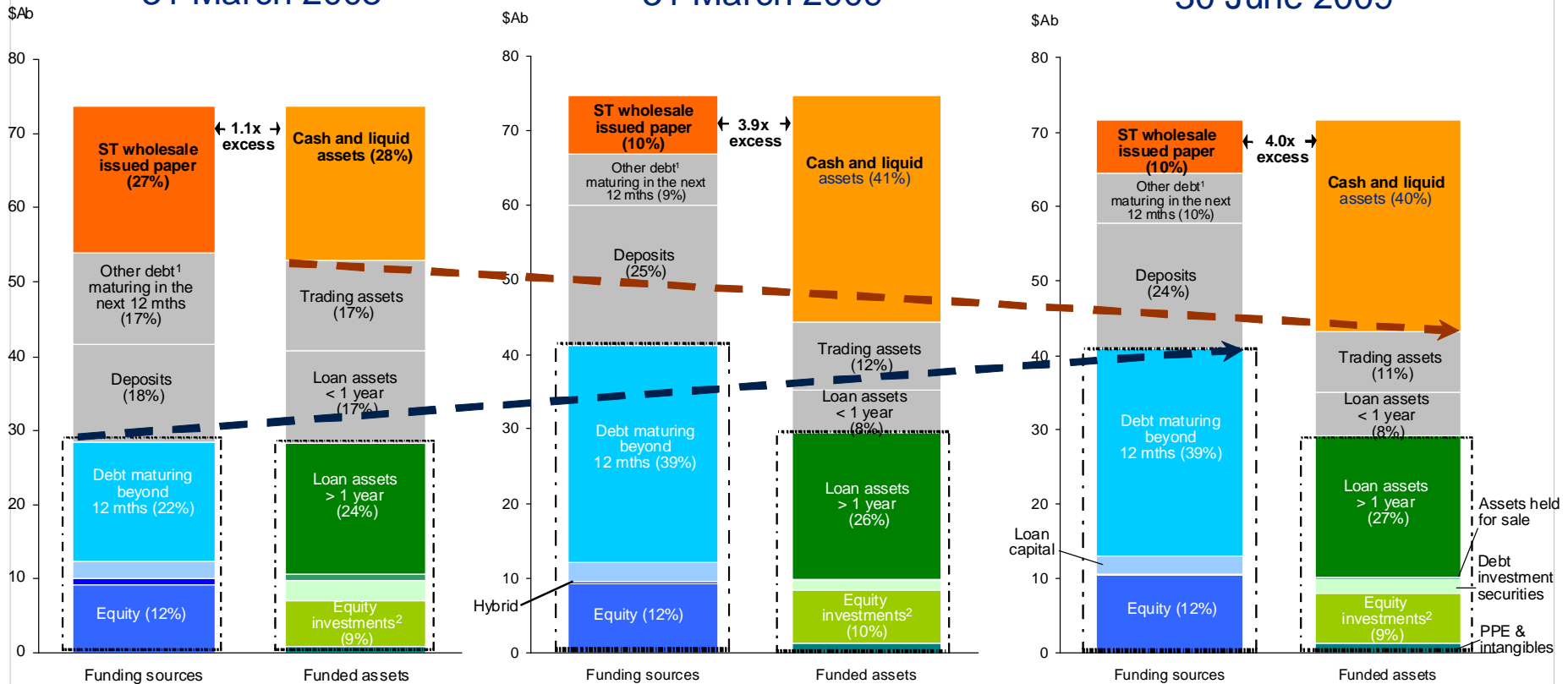
Balance sheet remains very strong

Macquarie Group Limited

31 March 2008

31 March 2009

30 June 2009



1. Includes Structured Notes, Secured Funding, Bonds, Other Bank Loans maturing within the next 12 mths and Net Trade Creditors 2. This represents the Group's co-investment in Macquarie-managed funds and equity investments



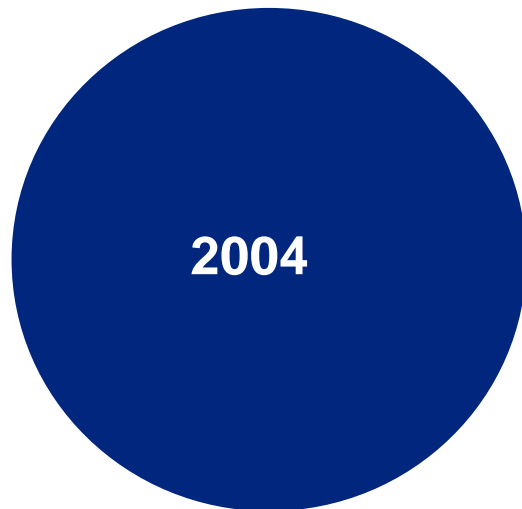
Macquarie model Focus over the medium term

- Client driven business
- Alignment of interests with shareholders, investors, staff
- Conservative approach to risk management
- Incremental growth and evolution
- Diversified by business and geography
- An ability to adapt to change

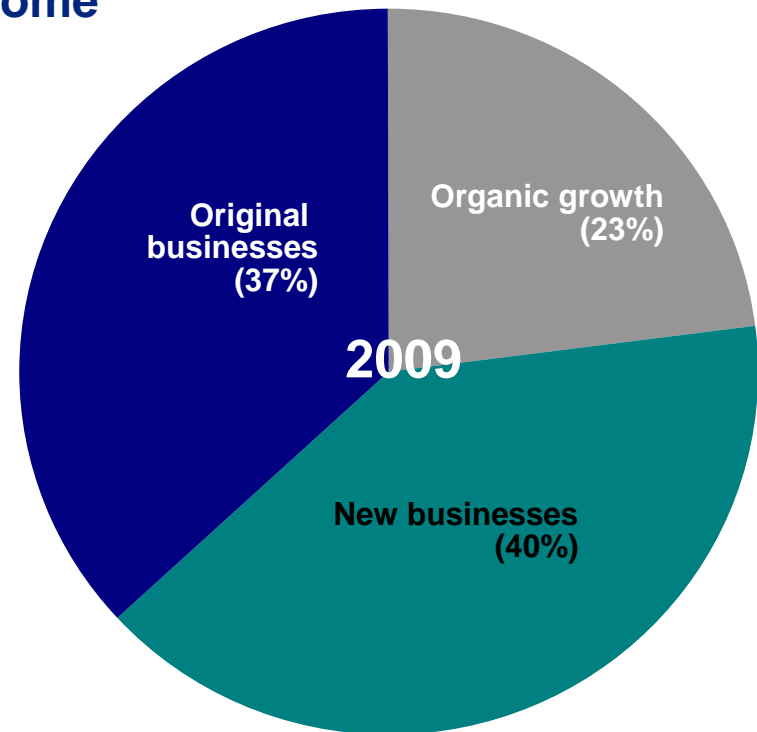


Macquarie model Focus over the medium term 2004-2009

Operating income



\$A2.8b



\$A7.6b¹

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

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



Five years of growth

	Macquarie Securities	Macquarie Capital	Macquarie Funds	Treasury and Commodities	Corporate and Asset Finance	Banking and Financial Services
% of income¹ derived from businesses that did not exist 5 years ago:	73%	41%	43%	30%	52%	8%
Businesses/activities entered:						
2004	Asia	Asia ECM			Aviation, electronics, meters	Premium funding
2005	Cash: India	India	Retail	Natural gas: US, UK		Coin Software
2006	South Africa JV	China	International expansion	Coal, emissions, freight, emerging markets	Rolling stock	Macquarie Life
2007	Orion Securities	Orion Securities, Giuliani Capital, US restructuring		Power: US, renewables	China, Europe	India JV, credit cards, OzForex, Pastoral Fund
2008	US, Europe	Renewables		Credit trading	CIT Systems Leasing	Private Banking: Asia
2009			Fixed income: US	Power: Europe, Constellation	Strategic alliances	UK Wrap

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

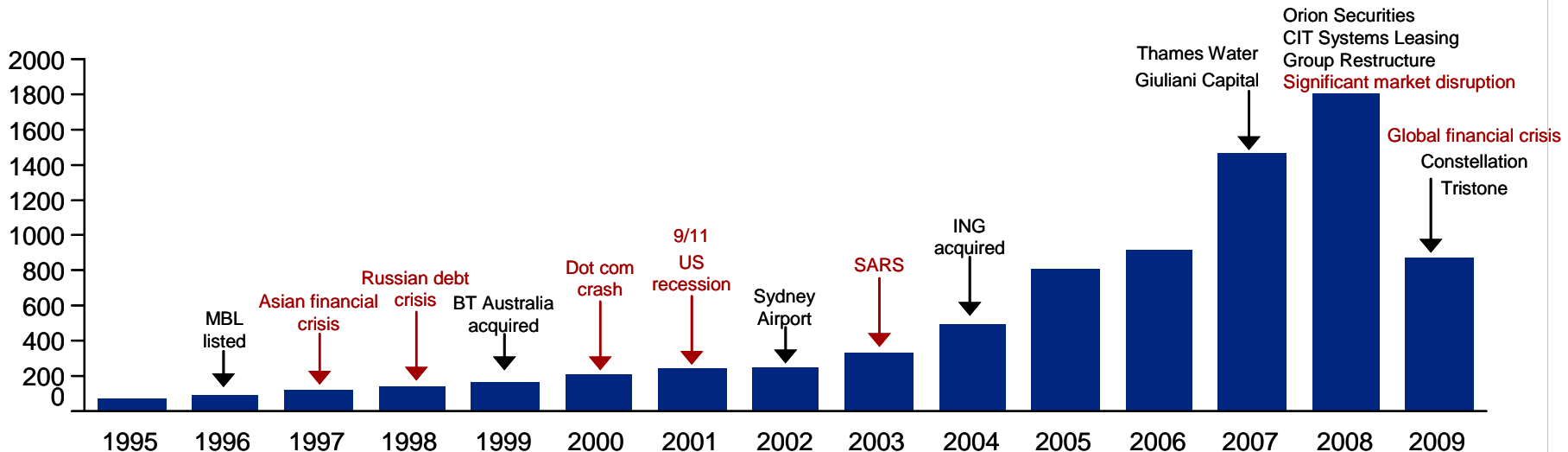
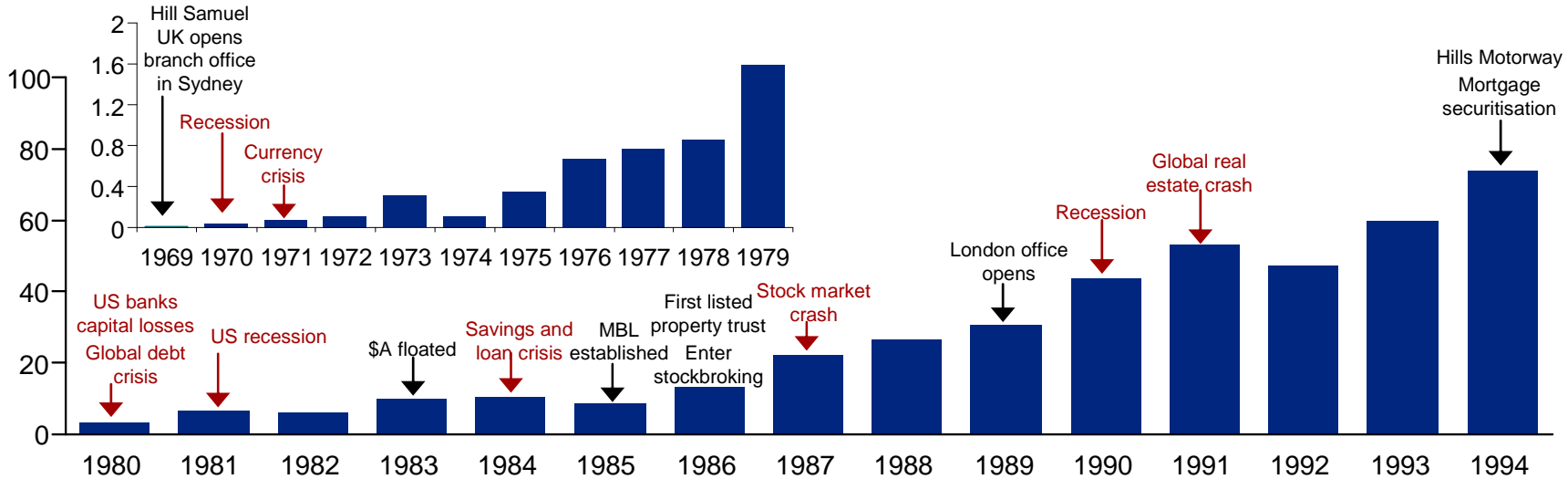


Continued growth initiatives

	Macquarie Securities	Macquarie Capital	Macquarie Funds	Treasury and Commodities	Corporate and Asset Finance	Banking and Financial Services
2009+ initiatives						
Continue to grow market share around the world as competitors reduce/exit						
Expansion of existing business	Asia, Canada, South Africa	US, Canada, Europe, UK, Asia, Tristone	Offshore products, high alpha commodity	Energy, natural gas, coal trading	Equipment leasing, rolling stock	High margin business, online, UK Wrap
Business/product development	US, Europe, India	Mexico, Dubai, Stockholm, Russia; range of renewable initiatives	Fund options, equity-linked deposits, annuity	Credit trading, US futures, gas metering, wet freight	US, China	India, UHNW Private Wealth
Other initiatives	Global broker, build out synthetic products platform	Selective recruitment: advisory	Acquisitions: asset managers	Refine/grow: FX, agriculture, futures, US debt	Maritime, US speciality leasing funds management, high-margin corporate loans	Selective acquisition



Growth through the cycle





Recent initiatives in China

IPOs



- #1 bookrunner for IPOs in Hong Kong in 2008
- Recent roles in Zhongwang, Lumena and BBMG IPOs

Advisory



- China Investment Corporation/ Goldman Group deal
- Waste Management Inc investment in Shanghai Environmental Group

Infrastructure



- Joint venture with China Everbright Group to invest in infrastructure projects in Greater China

Securities



- Joint venture with Hengtai Securities to enter domestic securities market

Investment products



- Investment in Sino-Australian Trust Company, offering financial and asset management services in domestic market



Strength of Macquarie's Australian business

Headquartered in Australia



- 57% of staff – 7000 employees
- 48% of income (\$2.2 billion)

FUM/AUM



- >\$70 billion in domestic FUM at Mar 09 – No. 3 in Australia
- \$13 billion inflows in June quarter (90% domestic)
- Australian AUM \$86 billion

Corporate/institutional



- 103 Australian M&A transactions worth \$111 billion in FY09
- \$8.5 billion Australian ECM activity in 1Q10
- No. 1 in cash equities
- 80% of our new lending since Nov 08 has been to Australian corporates

Retail



- No 1. in retail stockbroking
- About 500,000 Aust. retail accounts, 300,000 retail clients



We're making a difference to communities

Volunteering

An important part of life for many of our people

More than 900

Community organisations supported globally

\$A26m

**Total contributions – staff + Macquarie Group Foundation
Staff contributions up 35%**

The Macquarie Group Foundation encourages and supports staff to care for the communities where they live and work



- We continue to maintain a cautious stance with a conservative approach to funding and capital, notwithstanding some improvement in market conditions
- Market conditions continue to be volatile, making short-term forecasting extremely difficult
- 1H10 profit currently estimated to be approx midway between 1H09 and 2H09 levels but remains subject to market conditions and significant swing factors and excludes the impact of one-off items
 - Swing factors include completion rate of transactions, asset realisations and asset prices
 - To date one-off items have broadly offset each other
- Surplus capital and high cash levels, strong team and market conditions provide opportunities for medium term growth building upon:
 - Strength, diversification and global reach of our businesses
 - Ongoing organic growth initiatives and incremental acquisitions
 - Effective risk management



Macquarie Group Limited

Canberra dinner

2 September 2009

Nicholas Moore, Chief Executive Officer

