



ASX/Media Release

MACQUARIE OPERATIONAL PERFORMANCE IMPROVED IN JUNE QTR

Key points

- **Improved operational performance in June 2009 quarter on immediate prior quarter from all major businesses except Macquarie Capital**
- **Continued balance sheet strength, with surplus capital of \$A4.3b above minimum regulatory capital requirements**
- **Conservative approach to funding and liquidity maintained notwithstanding some improvement in market conditions**

SYDNEY, 29 JULY 2009 – Macquarie Group Ltd (ASX MQG) Managing Director and Chief Executive Officer Nicholas Moore said today that Macquarie had experienced improved operational performances from all its major businesses except Macquarie Capital for the June 2009 quarter compared with the March 2009 quarter.

Speaking ahead of Macquarie's 2009 Annual General Meeting, Mr Moore said Macquarie Securities; Treasury and Commodities; and the Banking and Financial Services businesses all made good contributions to the Group in the three months to 30 June 2009. Macquarie Capital was significantly impacted by the timing and size of transactions.

Mr Moore said Macquarie continues to see a number of one-off items, including:

- A gain of approximately \$A180m on financing acquisitions of Macquarie Income Preferred Securities (MIPS) and buyback of subordinated debt; and
- Unrealised loss of \$A200m relating to fair value adjustments of issued fixed rate subordinated debt.

In addition to this, profitability is also being impacted by the current high levels of cash on the Group's balance sheet as previously foreshadowed.

Macquarie's balance sheet and funding position remain strong as at 30 June 2009. Cash and liquid assets continue to significantly exceed short-term wholesale issued paper and the funded balance sheet remains well-matched.

In line with our long-term policy of holding a level of capital to effectively support our businesses and to grow the capital base ahead of business requirements, during the quarter we raised an additional \$A1.2b of new ordinary share capital through an institutional placement and a share purchase plan.

Consequently, at 30 June 2009, our capital position was further strengthened with \$A4.3b of capital in excess of the Group's minimum regulatory capital requirements.

Outlook for the current financial year

Mr Moore said Macquarie continues to maintain a cautious stance with a conservative approach to funding and capital, notwithstanding some improvement in market conditions.

It should be noted that, given the volatility in market conditions, short-term forecasting remains extremely difficult.

In this context, profit for the six months to 30 September 2009 is currently estimated to be approximately midway between the profits reported for the first half and the second half of the 2009 financial year (to 31 March) but remains subject to the impact of market conditions and significant swing factors and excludes the impact of one-off items. The swing factors include the completion rate of transactions, asset realisations and asset prices. In terms of one-off items, to date they have broadly offset each other.

Mr Moore said: "Macquarie's surplus capital and high cash levels, strong team and market conditions provide opportunities for medium term growth. We expect to continue to build on the strength, diversification and global reach of our businesses. Ongoing organic growth initiatives and incremental acquisitions remain underpinned by effective risk management," Mr Moore said.

Update on Specialist Listed Funds

As outlined in Macquarie's ASX announcement on 2 March 2009, steps are being developed and implemented by a number of the Macquarie specialist listed funds to enhance shareholder value.

These steps are focused on closing the gap between the current security prices and the value of the underlying businesses, and ensuring funds have capital and funding structures appropriate for the current funding and economic environment.

Initiatives announced recently include:

- Agreement to internalise management of Macquarie Airports and Macquarie Leisure Trust, subject to securityholder approval
- Macquarie Communications Infrastructure Group takeover offer by CCPIB for \$A3.00 per stapled security
- Macquarie Media Group \$A50m buyback
- Macquarie Countrywide announced the sale of a number of US properties

Highlights from the address of Macquarie Group Acting Chairman Kevin McCann

Macquarie Acting Chairman, Kevin McCann, said that Macquarie's ability to remain profitable in the year ending 31 March 2009, during a period of extreme market volatility, was due not only to the diversity and financial strength of Macquarie's business but also Macquarie's strong risk management framework and culture.

"Our long-standing and consistent approach to risk management has always been a fundamental part of the Macquarie model. Each operating group at Macquarie is accountable for risk management, subject to central oversight by the Risk Management Group. It also receives the close attention of the Chief Executive Officer, the Executive Committee and the Board through the Board Risk Committee," Mr McCann said.

"It was very reassuring to see that during this year of extreme volatility, very few of our stress test limits were exceeded providing validation of our risk management framework," he said.

Mr McCann noted in his speech that the severity of the global financial crisis last year led to an unprecedented co-ordinated global policy response by governments to avert a severe global recession. Fortunately, this response appears to have been effective, particularly in Australia.

Mr McCann said that while it was too soon to call an end to the recent period of extreme market volatility, signs of increased market confidence were beginning to emerge.

“Notwithstanding these early signs of improvement, confidence remains fragile and there is still a high degree of uncertainty,” Mr McCann said. “While we expect it is more likely that things will improve, we continue to maintain a cautious stance and a conservative approach, particularly with respect to funding and liquidity.”

Dividend payment update

Commencing with the 2010 final dividend (for the period to 31 March 2010), Macquarie will pay dividends to Australian shareholders only by direct credit into shareholders' nominated bank accounts, or via participation in the Dividend Reinvestment Plan. This is aimed at minimising costs and the risk of fraud for shareholders. Overseas shareholders will continue to be paid their dividends by cheque.

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