



ASX/Media Release

**MACQUARIE GROUP 2014 ANNUAL GENERAL MEETING
AND FIRST QUARTER FY15 UPDATE**

Key points:

- **Operating groups' contribution¹ in 1Q15 down on pcq and prior quarter**
- **Annuity-style businesses² broadly in line with pcq and prior quarter**
- **Capital markets facing businesses³ down on pcq and prior quarter, due to the timing of transactions and lower volatility and volumes impacting MSG and certain FICC businesses**
- **Macquarie Group APRA Basel III capital of \$A12.4 billion, \$A2.0 billion⁴ in excess of minimum regulatory capital requirement**
- **Macquarie Bank APRA Basel III Common Equity Tier 1 ratio of 9.5%**
- **Funded balance sheet remains strong**
- **Continue to expect FY15 result for the Group to be broadly in line with FY14, with the potential for a better result if market conditions improve**

SYDNEY, 24 July 2014 – Macquarie Group (ASX: MQG; ADR: MQBKY) Managing Director and Chief Executive Officer, Nicholas Moore, said today that the operating groups' contribution¹ for the first quarter of the 2015 financial year (1Q15) was down on the first quarter of the 2014 financial year (1Q14) and the prior quarter (4Q14).

Speaking ahead of Macquarie's 2014 annual general meeting, Mr Moore said that Macquarie's annuity-style businesses for 1Q15 were broadly in line with 1Q14 and 4Q14.

"Macquarie's capital markets facing businesses for the first quarter were down on 1Q14 and 4Q14 due to the timing of transactions and lower volatility and volumes impacting Macquarie Securities and certain Fixed Income, Currencies and Commodities businesses," Mr Moore said.

There were no significant one-off items in the quarter.

Macquarie remains well capitalised with APRA Basel III Group capital of \$A12.4 billion at 30 June 2014, a \$A2.0 billion⁴ surplus in excess of Macquarie's minimum regulatory capital requirement, which was down from \$A2.7 billion at 31 March 2014.

¹ Represents management accounting profit before unallocated corporate costs, profit share, income tax and period end reviews.

² Annuity-style businesses represent Macquarie Funds Group, Corporate and Asset Finance and Banking and Financial Services.

³ Capital markets facing businesses represent Macquarie Securities, Macquarie Capital and Fixed Income, Currencies and Commodities.

⁴ Calculated at 7 per cent Risk Weighted Assets.

The APRA Basel III Common Equity Tier 1 ratio for Macquarie Bank was 9.5 per cent at 30 June 2014, which was down from 9.6 per cent at 31 March 2014.

The acquisition of Macquarie shares required for the financial year ended 31 March 2014 (FY14) profit share and promotion awards under the Macquarie Group Employee Retained Equity Plan (MEREP) was completed in June 2014. A total of approximately \$A265 million of Macquarie shares were purchased at an average purchase price of \$A59.56 per share.

First quarter business highlights

In commenting on the Group's start to the 2015 financial year (FY15), Mr Moore noted the following highlights:

- **Macquarie Funds Group (MFG)** had \$A405.1 billion in assets under management at 30 June 2014, a decrease of \$A19.7 billion on 31 March 2014 predominantly driven by the partial transfer of Delaware Equities Focus Global Growth assets on completion of the Jackson Square Partners joint venture. 1Q15 included performance fees of approximately \$A27 million, predominantly from Macquarie Atlas Roads and Macquarie Infrastructure Company. During the quarter, MIRA completed seven acquisitions and three follow-on investments in six countries and MIM was awarded seven new institutional mandates across five strategies in five countries.
- **Corporate and Asset Finance's (CAF)** asset and loan portfolio increased to \$A26.1 billion at 30 June 2014 from \$A25.5 billion at 31 March 2014. During the quarter there were portfolio additions of \$A1.0 billion in corporate and real estate lending across both new primary financings and secondary market acquisitions. Securitisation activity also continued with \$A1.0 billion of motor vehicle leases and loans securitised. Activity remained high with growth in most asset finance portfolios.
- **Banking and Financial Services (BFS)** signed an agreement as credit card issuing partner for Woolworths Everyday Money and Woolworths Qantas Credit Cards. Retail cash deposits reached \$A34.7 billion and the Australian mortgage portfolio increased nine per cent to \$A18.5 billion at 30 June 2014. BFS' wrap platform also grew its funds under administration to \$A38.5 billion. Average Business Banking deposit volumes and loan volumes were up 14 per cent and eight per cent respectively over the quarter.
- **Macquarie Securities Group (MSG)** was impacted by lower market volatility and reduced secondary market volumes and client activity during the quarter, particularly in Asia. However, Australian ECM activity remained strong, particularly initial public offerings (IPOs). During June 2014, MSG closed its retail equity structured products business in Asia and ceased issuing new warrants in Australia. However, it remained a significant warrants issuer in Asia, holding No.1 market share for listed warrants in Singapore⁵, No.2 in Thailand⁵ and No.6 in Hong Kong⁶.
- **Macquarie Capital** experienced recovering levels of global mergers and acquisitions (M&A) activity during the quarter, albeit off a weak base. 106 deals totalling \$A18 billion were completed in 1Q15, up 13 per cent by value on 1Q14 and down 46 per cent on 4Q14 mainly due to the timing of transactions. IPO volumes continued to drive equity market activity. Macquarie Capital was ranked No.1 for both announced M&A deals⁷ and IPOs⁸ in Australia and New Zealand. Awards received during the quarter

⁵ Market share by turnover Apr-Jun 14. Source: Local exchanges.

⁶ Market share by NOIP (net over intrinsic premium) Apr-Jun 14. Source: Local exchanges.

⁷ Dealogic Apr-Jun 14, by number of deals.

⁸ Dealogic Apr-Jun 14, by value & number of deals.

included Best M&A House Australia 2014⁹ and Best Domestic Equity House Australia 2014¹⁰.

- **Fixed Income, Currencies and Commodities (FICC)** experienced mixed commodity markets over the quarter. Low volatility and prices in Precious Metals dampened client hedging activity, however client activity and trading opportunities increased in Base Metals and EMEA Gas and Power. Credit markets were mixed, with opportunities in EMEA securitisation but generally subdued conditions in the US. Foreign exchange and futures markets also saw low volatility and volumes. FICC established a Wholly Foreign Owned Enterprise (WFOE) in the Shanghai Free Trade Zone in China and maintained its ranking by Platts as the No.4 US physical gas marketer in North America.

Macquarie Private Wealth Enforceable Undertaking update

Macquarie also provided an update today on the Enforceable Undertaking (EU) that Macquarie Private Wealth (MPW) entered into with the Australian Securities and Investments Commission (ASIC) on 29 January 2013. MPW is Macquarie's retail financial advice business within BFS.

The EU focused on the effectiveness of compliance, in particular processes, controls and systems previously in place in MPW, such as record keeping, monitoring and supervision. As noted in the EU, which is available on ASIC's website, MPW acknowledged ASIC's concerns.

Macquarie takes its regulatory obligations seriously and always seeks to ensure compliance with the requirements of all its regulators.

MPW has completed three of the four phases of the implementation program, which is subject to independent oversight by ASIC and an Independent Expert, KPMG.

Outlook

While the impact of future market conditions makes forecasting difficult, we continue to expect that the FY15 combined net profit contribution¹¹ from operating groups will be up on FY14, broadly offsetting the FY14 realised gain relating to the SYD distribution and notwithstanding that a lower contribution is now expected from Macquarie Securities.

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 broadly in line with FY14, with the potential for a better result if market conditions improve. In line with previous years, it is currently expected that the 2H15 result will be stronger than 1H15.

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

- market conditions
- the impact of foreign exchange
- the cost of our continued conservative approach to funding and capital; and
- potential regulatory changes and tax uncertainties

Over the medium term, Macquarie remains well positioned to deliver superior performance. The Group has deep expertise in major markets and we continue to build on our strength in diversity and adapt our portfolio mix to changing market conditions. We are seeing the ongoing

⁹ Euromoney.

¹⁰ Asiamoney.

¹¹ Represents management accounting profit before unallocated corporate costs, profit share and income tax.

benefits of continued cost initiatives, our balance sheet is strong and conservative, and we have a proven risk management framework and culture.

Highlights from the address of Chairman, Kevin McCann

In providing an overview of FY14, Macquarie Group Chairman, Kevin McCann, noted that global market conditions continued to improve in the year to 31 March 2014.

Mr McCann said: “As we outlined at our full year result, Macquarie recorded a profit of \$A1,265 million for the year to 31 March 2014, an increase of 49 per cent on the prior year.”

Earnings per share increased by 53 per cent to \$A3.84.

“While client activity remained subdued for certain parts of Macquarie's capital markets facing businesses, investor sentiment showed an overall improvement and we were pleased that all of Macquarie's operating groups achieved an improved performance.

“Another feature of Macquarie's result was that for the first time, Australia was not the highest contributor of income. The Americas region, predominantly the United States, accounted for 35 per cent of our operating income compared to 32 per cent from our successful Australian operations.”

Mr McCann also noted the activities of Macquarie's staff and the Macquarie Group Foundation across the various communities in which it operates.

“In the year to 31 March 2014, the Foundation and Macquarie staff contributed almost \$A25 million to more than 1,500 community organisations around the world and gave 32,000 hours of their time as volunteers, fundraisers and pro bono advisers.

“We are proud of this record and the commitment shown by Macquarie staff to the communities in which they live and work around the world.”

The Macquarie Group Foundation 2014 Annual Review is now available on Macquarie's website at: <http://www.macquarie.com/mgl/com/foundation/news/annual-reports>. The Review provides an update on the contribution Macquarie staff members are making in their communities around the world.

Contacts

Karen Khadi	Macquarie Group Investor Relations	+61 2 8232 3548
Lisa Jamieson	Macquarie Group Media Relations	+61 2 8232 6016
Navleen Prasad	Macquarie Group Media Relations	+61 2 8232 6472