## Result overview

Macquarie Group (Macquarie) reported a consolidated after-tax profit for the year ended 31 March 2011 of $A956 million, a decrease of nine per cent on the previous year's profit of $A1.05 billion. Earnings per share were $A2.83, a decrease of 12 per cent from $A3.20 in the prior year. Dividends per share were $A1.86, in line with the previous year. Return on equity was 8.8 per cent, down from 10.1 per cent in the prior year. The overall result, as in recent years, was affected by the cost of carrying excess liquidity on the balance sheet.

Net operating income for the year was $A7.6 billion, an increase of 15 per cent from $A6.6 billion in the prior year. Corporate and Asset Finance Group (CAF) achieved a strong operating result compared with the prior year, benefiting from recent growth initiatives. The result from Macquarie Funds Group (MFG) was down on the prior year which included a number of gains from listed fund initiatives, but excluding these the result was significantly up on the prior year. The result from Banking and Financial Services Group (BFS) was slightly up on the prior year. Fixed Income, Currencies and Commodities (FICC) reported a strong result in the second half of the year, but was down on the prior year due to difficult markets in the first half of the year. Subdued equity market conditions affected activity across Macquarie Securities Group (MSG) and Macquarie Capital with MSG reporting a significantly lower result than the prior year.

Profit before tax for the year was $A1.3 billion, in line with the prior year. Foreign exchange translation is estimated to have had a negative impact on the result of approximately five per cent due to the strengthening of the Australian dollar by an average of 10 per cent against major currencies over the year. Total international income increased by 31 per cent to $A4.4 billion, accounting for 60 per cent of total annual income and 64 per cent of income in the second half of the year. Total staff exceeded 15,500 with 53 per cent based outside Australia, compared with 50 per cent at 31 March 2010.

Assets under management (AUM) decreased 5 per cent from $A326 billion at 31 March 2010 to $A310 billion at 31 March 2011. The decrease was largely due to the conversion of the Macquarie Cash Management Trust to the Macquarie Cash Management Account and also the impact of the appreciation of the Australian dollar against major global currencies.

Operating expenses were $A6.4 billion, an increase of 19 per cent from $A5.3 billion in the previous year. The increase was primarily due to the full-year effect of the expanded global platform. Average headcount increased 17 per cent on the prior year. The expense to income ratio increased to 83.4 per cent, compared with 80.5 per cent in the previous year. The effective tax rate for the year increased to 22.8 per cent from 16.1 per cent in the prior year, primarily due to a lower level of impairments and write-downs.

## Operating conditions

Ongoing volatility and uncertainty was a feature of global markets during the year, particularly during the first half.

While there was some improvement in equity market volumes in Australia, Asia, Europe and Canada, volumes remained subdued overall. This impacted activity levels for the cash equities and derivatives businesses. Equity capital market (ECM) volumes in Australia and Europe, Middle East and Africa (EMEA) were significantly lower than the prior year, while there was some improvement in Asia, the US and Canada. Mergers and acquisitions (M&A) activity generally improved on the prior year. Conditions for retail broking improved in the second half of the year, but were also relatively subdued. Australian Securities Exchange (ASX) retail trading market volumes were down on the prior

### Assets under management
$A billion